How Automation Is Changing The Landscape Of Financial Services:

A Complete Fintech Guide

gupshup

Table of Contents

Introduction

The banking and the financial services industry are undergoing a dramatic digital transformation owing to factors such as heightened customer expectations, changing preferences, need for risk mitigation, cost optimisation etc. Additionally, the Indian government's Digital India push and initiatives towards a cashless economy have led financial institutions to move from legacy workflows to adopting new technologies based on mobile-first strategies, artificial intelligence (AI), IoT, cloud computing, blockchain technology etc.
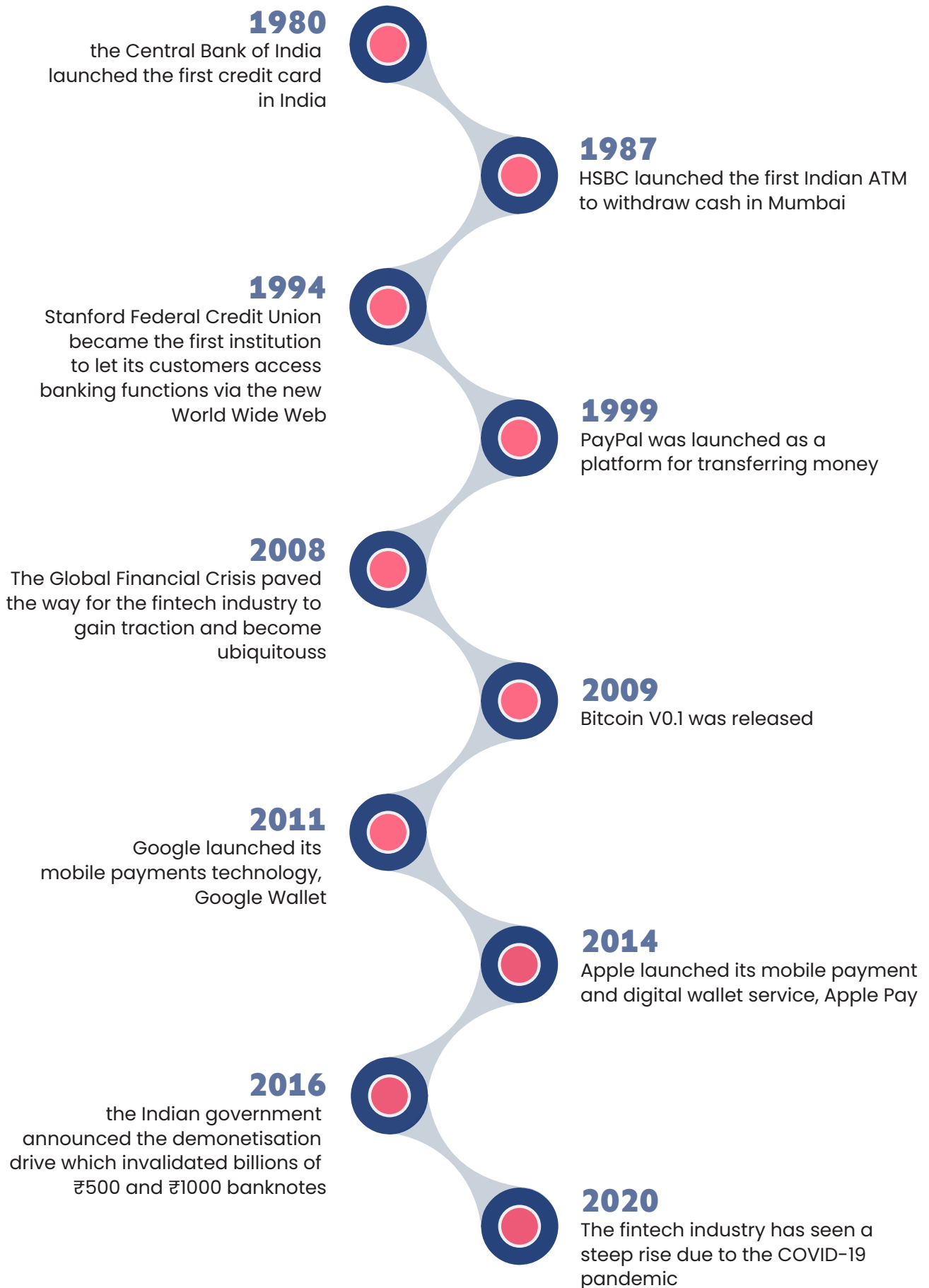

The behaviour of financial services now functions completely in sync with the requirements of the customer. Disruptive technologies, which are now playing a significant role across the financial sector, have become more evident due to the sudden outbreak of the Covid-19 pandemic.

Earlier, digital services across financial institutions were perceived to be a matter of convenience, but now it has become an important medium to ensure business continuity. According to industry experts, the pandemic has pushed the digital delivery model by several years. Digital transactions grew by **383%** over a 12-month period ending March 2019 and have risen 23% in June 2020 itself on the gradual re-opening of our economy. The unlocking of the economy has aided digital payments to recover **92%** of the pre-covid run rate. This uptick in such fintech products in India has been supported by the consistent drive to achieve financial inclusion in India and has grown due to policy decisions like demonetisation drive, GST, Digital IndiaStack etc. Such initiatives have made certain overhauls in the way the Indian economy used to work before.

Today, many businesses and individuals have registered their digital footprint, creating a huge opportunity for banks and financial institutions. While banks have a learning curve ahead of them, fintech solutions come armed with ready-to-deploy solutions that leverage the sweeping digitisation wave. In recent years, we have seen tremendous developments in the financial sector and banking industry. Financial technology, also acknowledged as fintech, is designed for the financial industry to provide next-level customer service through Conversational AI-powered chatbots. Chatbots in fintech are intended to assist customers with their requests in the most dynamic way to better understand the customer needs.

In this detailed guide, we will look at how Conversational AI-powered chatbots are empowering the fintech industry and driving the next generation of financial services. But, before we do a deep dive into it, let's look back on how the fintech industry has steadily evolved over the years and how it has impacted India's traditional banking and financial services.

The Fintech Landscape in India

1980
the Central Bank of India launched the first credit card in India

1987
HSBC launched the first Indian ATM to withdraw cash in Mumbai

1994
Stanford Federal Credit Union became the first institution to let its customers access banking functions via the new World Wide Web

1999
PayPal was launched as a platform for transferring money

2008
The Global Financial Crisis paved the way for the fintech industry to gain traction and become ubiquitouss

2009
Bitcoin V0.1 was released

2011
Google launched its mobile payments technology, Google Wallet

2014
Apple launched its mobile payment and digital wallet service, Apple Pay

2016
the Indian government announced the demonetisation drive which invalidated billions of ₹500 and ₹1000 banknotes

2020
The fintech industry has seen a steep rise due to the COVID-19 pandemic

The beginning of the fintech industry globally can be traced back to the 19th century when technology started to mark its place in history, which made the fintech industry flourish. Old technologies like the telegraph and morse code were first used to transmit financial information across borders to strengthen the infrastructure rapidly. Later, the credit card was introduced in the 1950s and was the first financial product in the industry, and to everyone's surprise, it is still in the game.

India's economic growth started to shoot up, and banking services were available to many citizens after several British Raj banks were nationalized post-independence. The 1980s and the 1990s was the highest point in history when online banking pushed the fintech industry to the limelight with electronic instalment framework, web-based business models, web-based shopping, portable banking, and digitisation of banks.
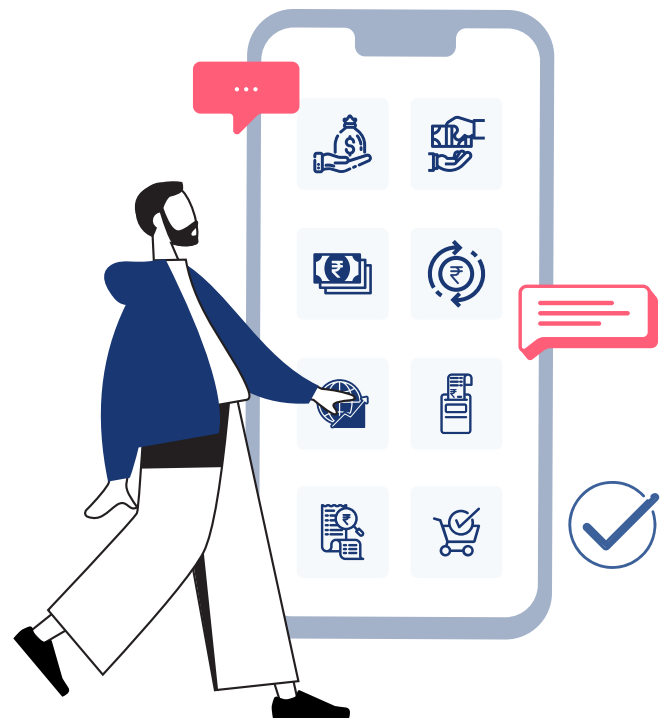
The Indian banks first adopted online banking in the 1980s and made it popular in the 1990s. ICICI Bank was the first to step into this internet banking space with limited banking services like access to account details and transfer within the bank. Other banks also started to follow suit and rapidly altered the way of banking.

With a plethora of smart advancements and entrants in the fintech space, India had emerged as one of the active players in the fintech space by the 21st century. People started to shift from the traditional banking system slowly and developed trust over the new entrants. The release of Bitcoin and digital wallets had further shaped the face of the fintech industry in India. Since the country focused on customer-centric financial products and services, it has seen more rise in the last few years. The November 2016 demonetisation drive, which invalidated billions of ₹500 and ₹1000 banknotes, pulled in a lot of significance for fintech. The Indian governments' push toward Digital India and to turn India into a cashless economy with financial inclusion has also provided immense support to fintech companies.

The pandemic has further accelerated the adoption of digital payments and seen lending solutions grow at a breakneck speed, resulting in the mass inclusion of factions of the society that were ill-served by traditional financial methods. The usage of digital and contactless payments surged during the pandemic, as people opted for safer ways to transact financially. The fintech industry has reportedly seen a steep rise in the number of transactions amid the lockdown. The pandemic has proved beneficial for the fintech industry to execute its plans and try to maximise reach with its offerings.

In around five years, India has seen more than 2000 companies in the fintech space. This made even the traditional banks rethink their strategies and welcome more fintech inclusion in their services to better serve the present-day tech-savvy customers. The traditional banks adopted the Open Banking, Banking as a Service (BaaS) model allowing third-party service providers to access their financial data. The BaaS model has further led to the entry of neobanks and digital banks in India.

In recent years, financial institutions have undergone a shift towards a digital-first mindset. As society moves increasingly online, consumer perceptions of the most optimal way to manage their finances have also begun to change. By 2024, an estimated **2.4 billion people will utilise online banking**, whether that be through branch apps, saas solutions, or various fintech options.

One of the most salient aspects of today's financial technology is the ability for businesses to better engage with their customers. Conversational tools such as **chatbots** mean that brands can provide high-level, multi-layered customer support, regardless of whether they're a startup or a global name.

Historically, customer service has been restricted by staffing limitations. Whether in-store or online, one-to-one conversations are constrained by time, resources, or skill-set, differing from person to person. The online movement, combined with growing developments in conversational tools, has bridged this gap while putting customer experience at the forefront. One way to envision this in the financial space is a **chatbot loan calculator** responsive to each visitor's unique situation.

Born from an understanding that visitors place immense value on positive brand interaction, AI and Rule-Based chatbots have created an around-the-clock service environment, with **91% of consumers** stating that companies should utilise chatbots to a certain degree.

How Automation is Changing The Fintech Approach

AI-powered Conversational Journeys are becoming a vital part of financial services. They have become an intelligent solution for the significant banking and financial industry. These Automations have eliminated the long queues at their branches, saving time and energy, giving customers the liberty to get the work done from anywhere without compromising safety.

With emerging technologies in fintech, Artificial Intelligence (AI) is developed on deep learning to assist a massive number of customers at the same time without reducing the quality of services. From facilitating swift money transfers via net banking and mobile banking with the highest security to single scheduling tasks such as paying bills, clearing customer's invoices, buying bitcoins etc, with the help of a chatbot.

The chatbots are reshaping the digital marketing of the fintech industries. **A study states** that 85% of the consumers prefer to get the automated solutions rather than visiting sites and scrolling or posting questions on the search box. In fintech, customer service is considered the primary function to run the organisation. Therefore, chatbots help companies have high customer service expectations and automate their profit while saving customer service costs by hiring more staff.

A **Forrester** study states that 90% of customer service leaders agree that personalisation is the need of today's business. It is the future of automation and the next-gen CX revolution. Another **report from business wire** says that one-third of customers revealed they would consider switching companies after they experience a single case of poor customer service. To avoid such issues, brands are adopting new ways to provide excellent customer service to their users.

Chatbots are faster than humans in understanding customer queries and responding faster. The fintech companies handle various complex databases on a day-to-day basis and store some confidential data of their customers, and it is impossible for humans to handle everything at once. Chatbots make it easier by running everything flawlessly instead of getting more staff trained to handle the workload. Furthermore, it enables the company to access the data on the system anytime without having to depend on their staff.

What customers like about fintech automated conversational journeys

55%
getting answers to simple queries

64%
24x7 service

51%
easy communication

43%
quick resolution of issues

Role of Conversational Messaging In The Fintech Industry

Conversational Messaging is a new customer engagement paradigm that brings businesses and customers closer together by enabling human-like conversations in commerce, marketing and sales. This happens on messaging channels that the customers are already familiar with. Conversational messaging solves the problem of engaging meaningfully with customers in real-time with tools like chatbots. It makes a company's job easier by increasing reach, engagement and impact. Gartner predicts that **70% of all consumer interactions** will involve mobile messaging, chatbots and machine learning by 2022.

Today, banking apps send alerts, notifications, and reminders for account transactions. To improve the customer experience, these interactions should mimic the experiences of seeing a personal financial expert or bank manager face-to-face. Customers should have the ability to contact their bank on their channel of choice to request a new card, open a savings account, reduce their overdraft limit, or do KYC. Furthermore, they should be able to do all of these within the chat. **More than 60% of customers** report that messaging is the easiest, most convenient way to contact a business. By leveraging the power of conversational messaging, financial institutions can offer a better experience to their customers.

Benefits of Conversational Journey's for Fintech Companies

› Improves personal banking

An absence of or poor personalisation of service is one of the most common challenges that most bank customers face nowadays. **Conversational AI** in the fintech industry has a great role in improving customer service.

These Automated Micro journey's will provide updated terms and conditions for different services, implement KYC and AML regulatory guidelines, and promptly resolve consumer issues. The most important advantage is that automation allows banks to respond to queries without demanding human participation immediately. For instance, you get personalised banking services on **WhatsApp**, text messages or other **channels.** With this, users do not realise they are conversing with a robot as its experience is as genuine and engaging as with a human.
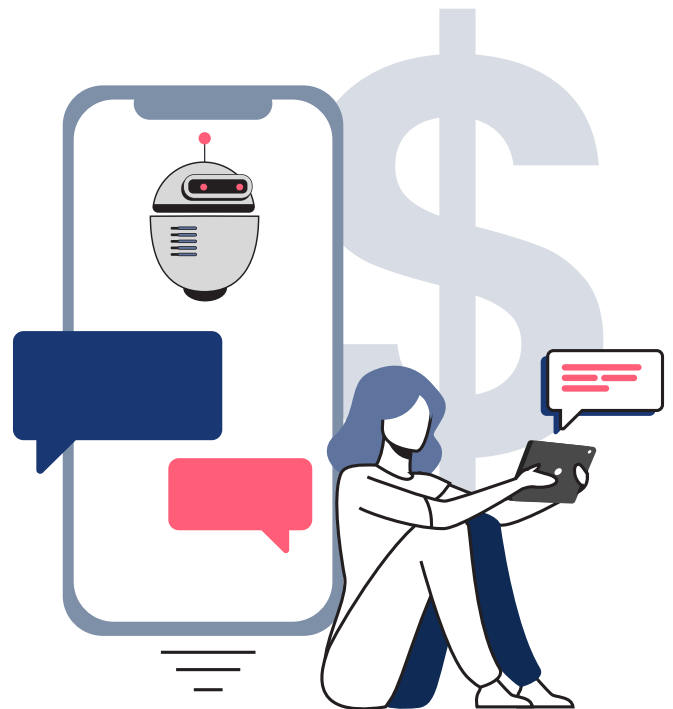
› Removal of disturbance of cluttered interface

If users find the technology too complicated, **38% of individuals leave the sites** or applications within five-six seconds. Fintech conversational journey's with AI integration assist in minimising friction and technological hurdles. The built-in chatbots are programmed to recognise human behaviour and respond to their demands.

› Feedback management

Another important aspect of any financial service is customer reviews. Financial institutions could collect more precise client feedback via intranet-based **chatbots**, implying that conversational AI has helped fintech brands enhance their services. Thus, employees can learn about their areas of improvement, and the administration can provide practical solutions.

› Forgery automation

Conversational AI chatbots are game-changers for the fintech industry and customers since they continuously monitor and scan accounts to check for any suspicious activities. At the time of any such financial transaction occurrence, chatbots immediately alert the customers. It promptly notifies and informs the consumer of a sudden spike in funds transfer from dormant accounts. If the signals are evident, chatbots also pause the transaction for a short time.

› Customer loyalty boost

Conversational AI in the fintech industry is intended to be more proactive as regards user engagement. It also draws in more clients who want to look at services or items without speaking to anyone. Chatbot data allows businesses to understand their customers' need for better interaction and offer them the services and goods they desire. It improves customer loyalty to businesses naturally.

› Better service promotion

Fintech conversational automation helps expand targeted traffic while also promoting the firm's products and services. It assists customers in purchasing things directly over chat. Further, AI chatbots also advertise the brand image across various social media platforms.

› Cost deduction

Chatbots in fintech sites are a one-time expenditure that has transformed into an asset. Moreover, they are less expensive than hiring additional staff. It's not only a cost-effective solution but the chatbots' capacity to offer results in seconds also saves a lot of time.

› Attract millennials

Millennials seem to want digital chatbots to stay up with them. The desire for immediate assistance has skyrocketed due to the recent technological advancements, and millennials are constantly communicating over social media. Therefore, conversational AI in the fintech industry can help businesses to keep up with the youth.

Now that we have a better understanding of the fintech industry, let's understand how chatbots are changing the fintech approach.

Conversational Automation Use Cases in Fintech Industry

In fintech, customer service is considered the primary essential function to run the organization. Conversational chatbots in fintech can be used for customer support since the primary use of chatbots is to answer queries and initial tasks. They are way faster than human staff in looking up information and answering questions and are available any time. According to a Business Insider report, **67% of customers** are using chatbots for customer support. Therefore, chatbots help companies have high customer service expectations and automate their profit while saving customer service costs by hiring more individuals. Let's look at some use cases of how conversational AI-powered chatbot solutions benefit a financial service company in its three significant areas of functioning, i.e., commerce, marketing and support.
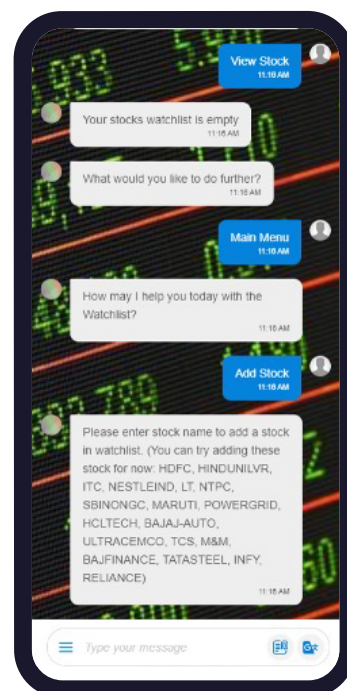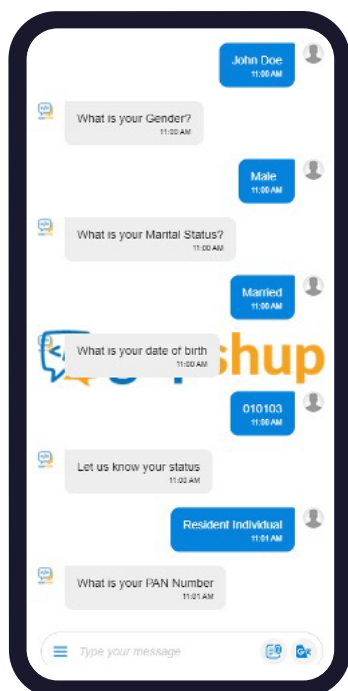
EMI collection

Chatbots help collect loan EMI, send payment reminders, and remind default penalties through a conversational interface.

KYC

A simple chat-based journey can simplify processes like collecting customers' KYC details during the onboarding process.

Finance for vehicles

Streamline the vehicle finance process from loan to insurance. Chatbots can prompt prospects who are looking for loan options by directing them to the available options.
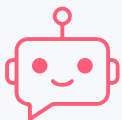
Lead generation

Chatbots also help collect loads of customer information such as contact details of prospects, etc., for a variety of financial instruments from loans to investments. This helps in generating leads with follow-up options.
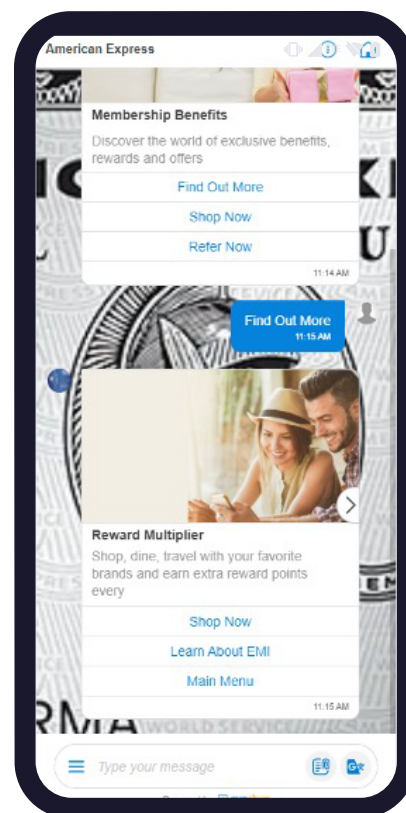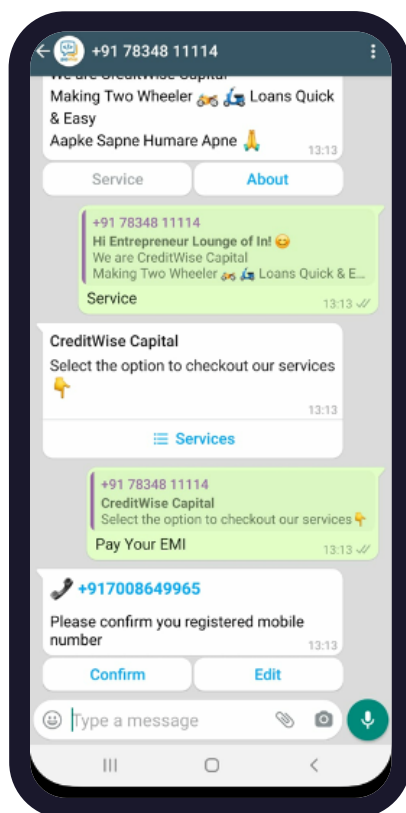
Automate general queries

Chatbots help reduce the overall load on your live agents with support bots. These bots help answer frequently asked generic questions and intelligently hand over in time to the agents in case of complex queries.
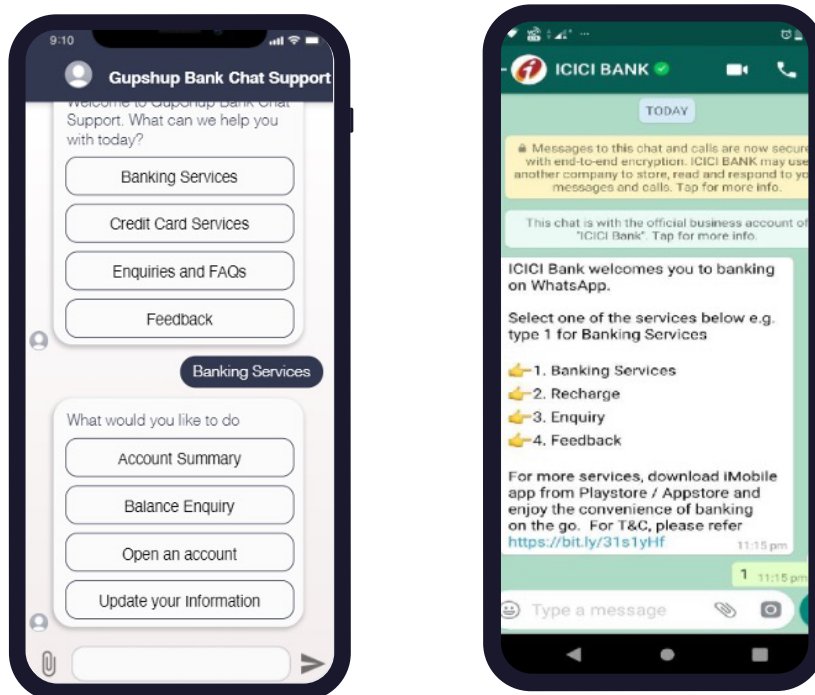
Customer feedback capture:

Chatbots can initiate surveys, capture NPS, record customer feedback, etc. This information can be recorded and passed on to live agents and CRM for further follow-ups.

Conclusion

The financial sector is one of the industries that has been considerably operating with complex systems for decades. It is re-evaluating and restructuring itself to fit into the mould the way that today's tech-savvy customers want. Chatbots enable fintech companies to provide prompt customer services, resolve their queries, and onboard customers faster. They are available 24X7 and can solve common issues quickly like managing transactions, finding the nearest office etc. Chatbots can handle multiple requests at a time and reduce the user waiting and resolution time. This conversation-based shift ensures an improved customer service experience, leading to more customer satisfaction and building loyalty.

The Gupshup conversational system automates lots of business use cases of the fintech industry. Gupshup provides fintechs with the ability to offer faster onboarding, support more secured transactions, manage and administrate day-to-day operations and provide seamless service support to customers.

Our messaging solutions include single API and advanced API. Interact and transact with your customers seamlessly across 30+ messaging channels using **Gupshup's single API** for messaging. Across verticals, thousands of large and small businesses in emerging markets use our services to build conversational experiences across marketing, sales, and support. With Gupshup, several businesses have made conversations an integral part of their customer engagement success. Now, it's your turn to make that change.

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