

Lending in the new normal #6

Lending's digitalization challenge

Once it was a "nice to have": a way to cut costs or power growth

Today, digital is the only way to do business. But even though everything they do can be expressed in ones and zeros, most financial service organizations aren't set up to be truly digital.

In the context of the current disrupted, volatile and remote-working global economy, doing digital brilliantly is now a matter of survival and urgency for many financial firms.

In lending, digitalization can present a particularly acute challenge. Digital transformation is tough enough for even the simplest business models. But when it can take up to three months to get cash out of the door, it's hard to see how any bank can keep up with the digital shift.

In our first part of this series, we also noted lending's continuing dependence on paper documentation and face-to-face contact – and even fax machines, a distant memory in most industries.

However, in our subsequent reports, we also highlighted that any challenges of digitalization are more than balanced out by its potential benefits. Here are just a few:



Better efficiency – taking away repetitive, non-value-added work and moving towards real-time processing



Personalization – delivering highly relevant customer service even in a socially distanced context



Improved credit management – providing integrated, rules-based systems for greater decision speed and transparency



Proactive risk management – using APIs and platforms to "join up" the risk process with sales process



Self-service for corporates – providing a digital channel that empowers corporate customers



Unlocking the value of data – bringing data together from disparate sources such as spreadsheets and emails so its true value as a commodity can be leveraged.

About the authors



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As Global Solution Lead for Lending at Finastra, Christopher Papathanassi is responsible for the overall line of business within the field, and works cross functionally to provide support with; deal execution, validation and execution of go to market activity, product strategy and bringing thought leadership to the market . With over 14 years' in the industry, he is an experienced commercial lending specialist.

Prior to his current role he worked on the bank side where he held a variety of roles within lending, both on the business and change management side. He holds a Bachelor's Degree in Business Management from Bournemouth University.

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Helen Orton is a Senior Principal Product Manager within the Finastra lending product team and has over 25 years of experience working in the commercial lending industry. Helen specializes in syndicated lending with a focus on new product innovation and driving collaboration within the sector.

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So what needs to happen for lending to get there from where it is today?

One of the key issues is data quality and the “golden source”.

The bespoke nature of lending makes it particularly hard to maintain data quality and consistency. Lenders often have their own individual nuances and conventions.

And corporate borrowers that have lending relationships with many different organizations will download and manipulate data so it's all in a format they can work with. As one major bank asked us: “How can we ensure what the source of truth is across different applications?”

What's more, as data moves through different systems in a digitalized and connected world, it changes too.

This points to the second challenge, which is that digitalized lending data is only valuable when it can be connected with all the other pieces of the puzzle to provide the big picture that lenders and borrowers need.

Right now, firms are still downloading data into Excel, manipulating it and re-sending it. Digitalization plus API capabilities, however, makes it possible for stakeholders to see the same pieces of data in the same state. It's this connectivity that is key to realizing the full benefits of digitalization and addressing the “source of truth” issue.

Digitalization also opens up data to new technologies such as artificial intelligence, machine learning and robotic process automation, which can create new efficiencies and value for both banks and customers.

And for processes such as syndicated lending that have multiple players, it can be combined with cloud technology to enable more collaboration and better access to a single source of truth. APIs in the cloud can make innovation more accessible to banks, overcoming the challenges of integrating in-house and external products.

In essence, on platforms, banks have access to pre-integrated, interoperable solutions and better access to the broader financial services ecosystem, where they can explore innovations and consume them at speed.

This potentially changes the shape of the lending industry, opening up interesting questions. What do banks want to be? Leaders in the lending business or providers of specialist products? Digitalization means both options are possible, creating an opportunity for lenders to add value and build their lending businesses – or to disintermediate healthily.



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About Finastra

Finastra is building an open platform that accelerates collaboration and innovation in financial services, creating better experiences for people, businesses and communities. Supported by the broadest and deepest portfolio of financial services software, Finastra delivers this vitally important technology to financial institutions of all sizes across the globe, including 90 of the world's top100 banks. Our open architecture approach brings together a number of partners and innovators. Together we are leading the way in which applications are written, deployed and consumed in financial services to evolve with the changing needs of customers. Learn more at finastra.com

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