



Inaugural Corporate Banking Innovation Survey

Leaping Forward: Scaling Digital Innovation in Corporate Banking

*Predictions and perspectives for corporate bankers
to create a winning innovation roadmap*

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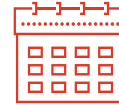
Corporate Banking Innovation



100+ respondents



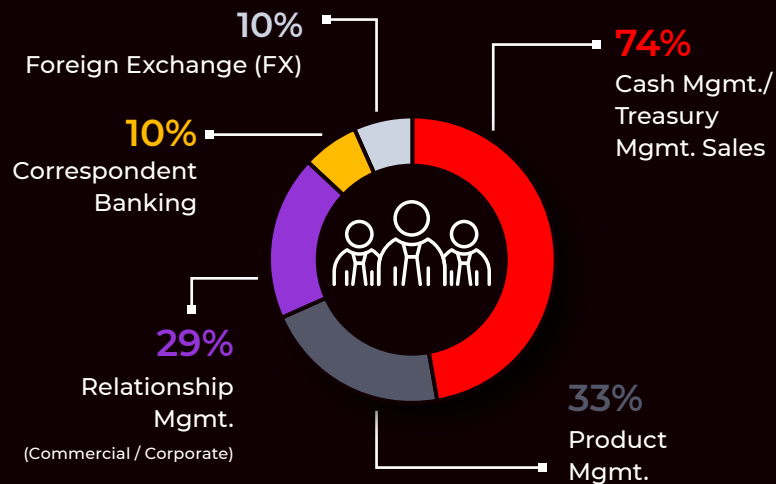
30+ questions



5-week survey runtime

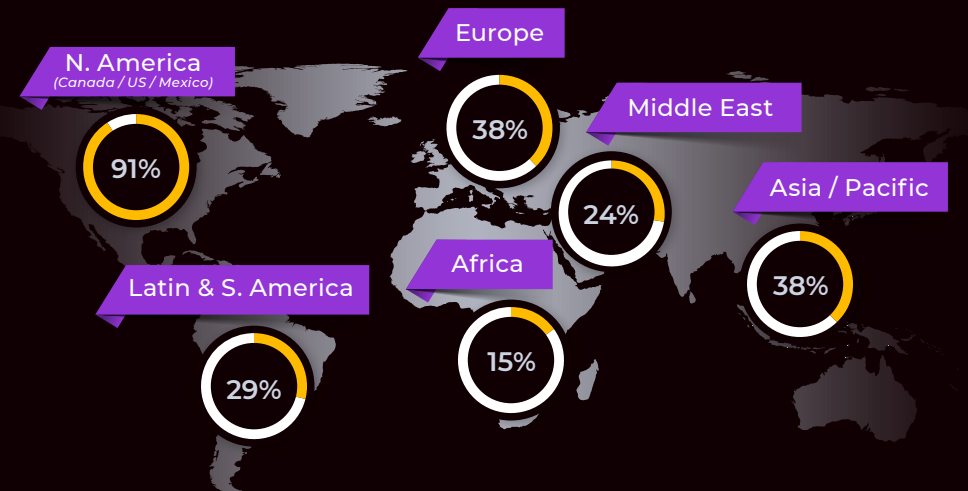
ROLES / RESPONSIBILITIES

(Respondents from all areas of finance)



GLOBAL OPERATIONS

(Multi-geography regions of respondents' banking operations—respondents were asked to select all the regions applicable)



Preface

The corporate banking business has not seen such turbulent times in recent memory. Traditional approaches have been challenged, new windows of opportunity have opened up and incumbents and new entrants have both had their share of trials and tribulations.

Corporate banking had already been battling a period of heightened uncertainty; from geopolitical and macroeconomic conditions across regions, to increased costs of regulatory compliance, and competition from new and innovative players, the onslaught seemed relentless. The tipping point, of course, was the Covid-19 pandemic that eventually pushed corporate banking into a digital adoption overdrive, recording the highest rate of digital adoption ever and resetting existing competitive advantages.

In this inaugural edition of **'Leaping Forward: Scaling Digital Innovation in Corporate Banking,'** we present insights gained from a survey of senior corporate banking executives from some of the largest banks globally. This research intends to showcase and reflect upon key trends in corporate banking business lines, evolving customer needs, focus areas for innovation investments, digital transformation maturity, competition landscape and evolving business models.

What makes this edition remarkable is that it comes at the turning point where the world is settling into a post-pandemic way of living, where innovation and digitization have become the bedrock for a bank's growth and success.

The survey findings highlight important trends and focus areas that banks should consider prioritizing to enhance their competitiveness in the corporate banking space.

The evolving needs of the modern corporate customers are reiterated in the research findings. A full suite of digital self-service treasury offerings and superior customer engagement are predicted to be top differentiators for a corporate bank by 2026.

Corporate banking business dynamics are evolving significantly when it comes to different lines of businesses. Over the next 3 years, primary growth is expected to be fueled by transaction business lines such as cash management and payments, as well as trade and supply chain finance. Deposits and lending, considered to be stable lines, are expected to deliver lower growth rates, relatively. This change in dynamics is reiterated by the fact that banks are focusing on business lines with high growth potential when it comes to innovation investments and urgency in technology modernization.



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In the next 5 years, incumbent banks see themselves leading innovation in traditional business lines. However, in areas like cash management, forex and payments, they foresee Fintechs leading the game. Leading technology companies, such as Apple and Google, are seen as significant players in the payments space.

Corporate banks are looking to embrace a platform-centric approach to create, capture and deliver value in the coming years. They also acknowledge the importance of modern technologies, but adoption at scale and significant success in leveraging these technologies are still lagging. Given that high growth lines of business are susceptible to competitive threats from new entrants, we believe it is imperative for bankers to adopt innovative business models, scale organizational capabilities and drive new digital strategies to realize their growth vision. Laggards who are still grappling with the barriers to transformation must acknowledge that they can no longer respond to these opportunities and challenges with a legacy mindset and timetable.

Various sections in this report explore different drivers of excellence—resetting banking differentiators, business model innovation, innovation investments, modern technology adoption and digital transformation—that progressive banks around the globe are implementing.

We would like to express our heartfelt gratitude to everyone who invested their time and offered their perspective to make this survey robust and well-rounded. As always, responses to market surveys remain confidential. We hope that the insights from this research will help you benchmark your bank's innovation strategy and guide you in your digital transformation journey.

Additional resources related to this survey:

- Webinar replay
- Podcast episode

Key Findings

The key primary differentiators by 2026

- More than 6 in 10 banks stated that having a full suite of digital self-service treasury offerings and superior customer engagement will emerge as the primary differentiators for corporate banks by 2026.
- 90% of respondents believe the ability to provide tailored solutions for client businesses is essential or very important from their customers' point of view.

The future is likely to heavily skew towards a platform business model

- An overwhelming majority of 72% of respondents believe the corporate banking future will be about building a platform business by tapping new and diverse partner networks within a larger ecosystem.
- While most corporate banks are Universal players today, the road ahead indicates a 42 percentage points shift towards the platform business model between now and 2026, wherein corporate banks will look forward to orchestrating ecosystems.

Transaction banking business lines will fuel growth for the next three years

- Over 90% of banks believe the primary growth for corporate banks in the next three years will be driven by transaction lines of business such as cash management, payments, trade, and supply chain finance.
- This is reflected in the banks' strategic intent and investments. Over 70% of respondents are increasing their innovation investments in the cash management and payments lines of business. 39% of respondents said the increase in investments would be more than 10%.
- Across these high growth business lines, there is a greater preference towards either buying packaged applications as part of their digital platform plans or using a hybrid approach of build and buy.
- There is also a sense of urgency in technology modernization plans for these business lines—payments is an area where about 90% of respondents have committed to either upgrading or replacing existing systems with a modern package application in the next 12 months.

Corporate banks acknowledge the importance of modern technologies, but adoption is still lagging

- The top 5 technologies that banks considered essential or very important to delivering desired business outcomes include open APIs, mobility, advanced analytics, cloud computing and artificial intelligence.
- While 84% of respondents have hailed open APIs either as essential or very important, only 10% have achieved significant success. This is the case with most emerging technologies.
- The top 3 primary use cases implemented using blockchain technology include payments and cross border remittances, trade and supply chain finance digitization and digital identity management.
- Top 3 use cases prioritized for investments in Artificial Intelligence include fraud detection and management, conversational banking and risk management.

Digital transformation is an ongoing journey and continues to be in relatively early stages for corporate banking

- While the leading banks and digital players have progressed, most institutions continue in their old ways. Only 26% of respondents believe they have succeeded in their digital transformation initiatives in business lines such as lending and cash management.



Corporate Banking Industry The Ongoing Reset

While relationship management continues to be an important differentiator for banks, digital suite and fully tailored services will emerge as primary differentiators by 2026.

For decades, relationship management has been the cornerstone of corporate banking business' success. While this is likely to continue, the growing adoption of digital plays is resetting the contours, and newer paradigms are emerging. The banks that take progressive steps here further strengthen their market positioning and drive superior differentiation.

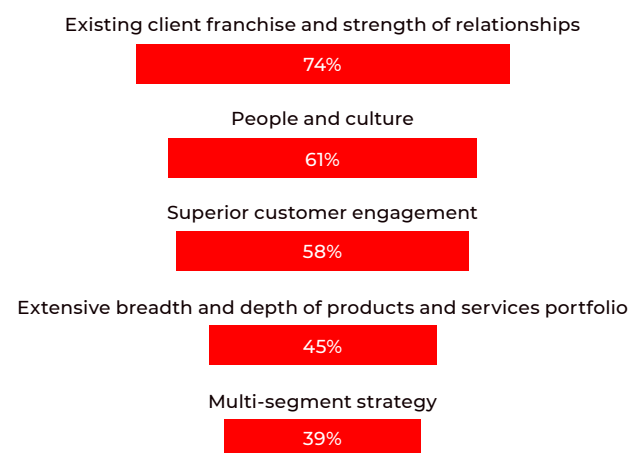
Digital self-services will dominate the next-gen corporate banking service models

As part of the survey, we asked the bankers what they considered to be key differentiators in corporate banking today and how they expect these to evolve by 2026. Respondents also weighed in on their corporate customers' expectations from the banks. A vast majority, nearly 74% of respondents, picked their existing client franchise and strength of relationships as a key differentiator currently. People and culture and superior customer engagement have also been attributed as key success factors.

While the survey respondents expect the importance of superior customer engagement and client relationship management to continue, nearly half the respondents believe that digital self-service capabilities will be crucial for strengthening client relationships. In fact, a 'full suite of digital self-service treasury offerings' tops the chart as a key differentiator by 2026.

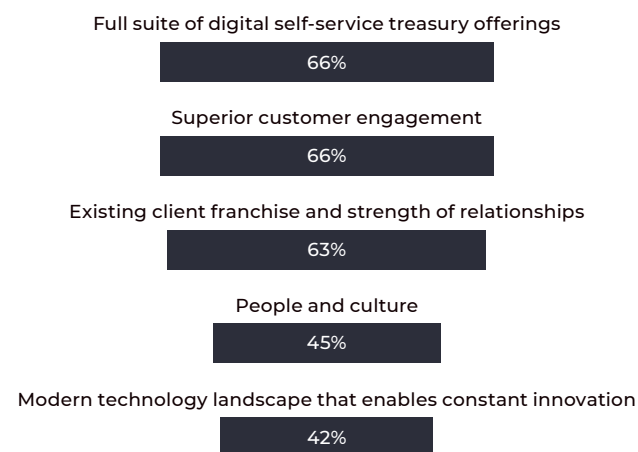
This is expected as companies accelerate the digitization of their business operations. The demand for sophisticated digital cash management solutions from their primary banks is already on the rise among corporates, as it enables them to optimally manage cash and treasury. For instance, a primary demand is complete visibility and control over the cash management value chain. Specifically, corporate customers want digital self-service models that empower them to perform bank-like actions while managing treasury operations.

Q Please select the top five key differentiators your bank has today. Only top five responses are shown below.



Note: Numbers are rounded and therefore may not add up to 100%.

Q Please select the top five key differentiators your bank will likely have in 2026. Only top five responses are shown below.



Note: Numbers are rounded and therefore may not add up to 100%.

The survey also indicated that respondents expect the importance of branch network and geographical reach to dwindle by 2026, as digital self-service becomes mainstream in corporate banking.

In addition to convenience, digital self-service solutions provide better visibility and control to the corporates.

CASE STUDY:

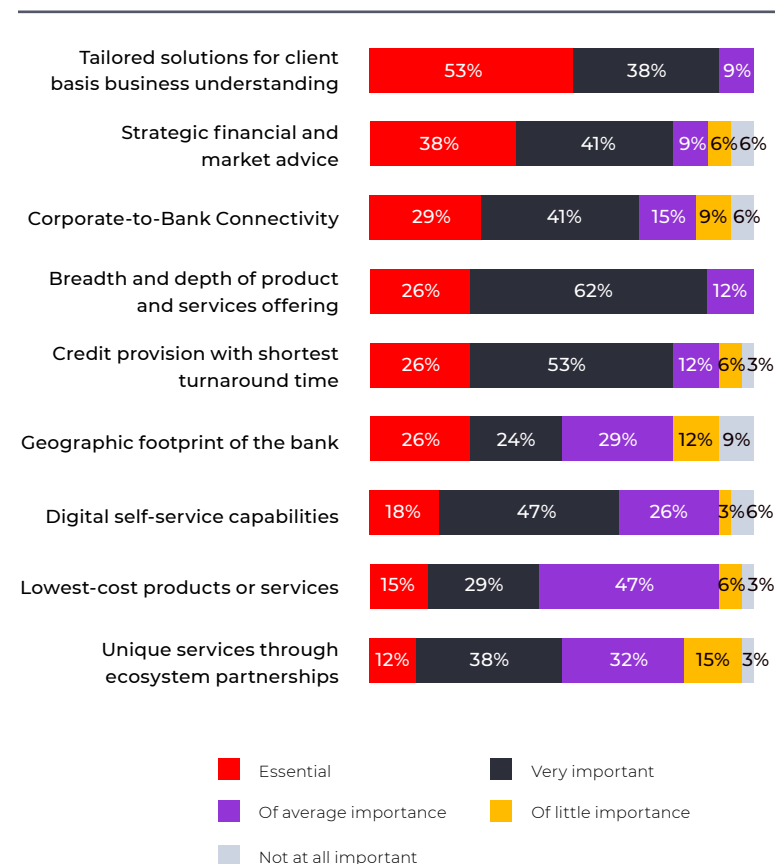
Part of Santander UK, Santander Corporate and Commercial Bank UK meet the needs of businesses across the United Kingdom

The world over, corporate (and business) banks rely heavily on relationship managers to help customers with their typically complex transactions. But as millennials enter the corporate treasuries, they want corporate banking to offer the same level of empowerment, independence and seamlessness as their retail banking or ecommerce experiences. Santander Corporate and Commercial Bank UK, decided to meet these expectations by reimagining the corporate channel experience and empowering its clients with self-serve capabilities

The bank conceived Santander Global Connect, a solution that provides cash management transparency and control to customers, as well as the tools to manage their global cash resources from a single online portal. With this platform, the bank wanted to make it easier for customers to manage their cash resources around the world by providing visibility into cash across banks and accounts, currencies, and geographies. *Source*



How do you rate the importance of the following to your corporate clients in selecting your bank and/or maintaining their business with your bank?



Note: Numbers are rounded and therefore may not add up to 100%.

CASE STUDY:

ICICI Bank transforms digital onboarding for corporates

ICICI Bank is a leading private sector bank in India. The bank leverages digital to decongest and streamline existing processes; understand customer needs better, provide seamless customer experience from the time of onboarding and beyond. The Bank launched a first-in-the-industry service through a comprehensive digital banking platform called ICICI STACK, which offers nearly 500 services to ensure uninterrupted banking experiences. The ICICI STACK, their API Banking portal, their platform for SMEs, mobile and internet banking platforms as well as bespoke solutions for corporate and institutional customers provide seamless banking services digitally and enhance customers' transacting experiences. Partnerships with technology companies and platforms with large customer bases and transaction volumes offer unique opportunities for growth, and enhancing service delivery and customer experience. [Source](#)

CASE STUDY:

RAKBANK revolutionizes digital engagement for SME customers

RAKBANK is a public joint stock company, headquartered in the emirate of Ras Al Khaimah, in the UAE. The pandemic has led to a change in the SME customer' expectations from their banks. While initial requirements revolved around deferring loans and waiving charges, with passing time SME customers needed to conduct their business remotely and hence demanded for the enhanced digitization of their services. In UAE, RAKBANK plans to expand its reach to the Small and Medium Enterprises (SME) segment. The vision is to provide fully digital account opening to cater to the surge in digital engagement. The effort proved to be extremely timely as the pandemic and associated lockdowns accelerated an existing shift to mobile and online. [Source](#)



Differentiated offerings will provide a competitive edge

While extensive breadth and depth of products and services portfolio fared at the 4th position, it has been cited by the bankers as very important for their customer relationships. Increasingly, banks will be compelled to drive differentiation at two levels—between different customer portfolios (SMEs, mid-market, and large corporates), and between different industry segments. While differentiated offerings become an important strategy, banks will be required to strengthen their focus on offering integrated solutions across the value chain, setting up platforms to enable ecosystem strategies, and expanding their offerings for the contemporary requirements.

Modern technologies will propel innovation in corporate banking

Not surprisingly, modern technology adoption ranks among the top 5 key differentiators in 2026. Corporate banks are expected to keep pace by providing solutions that best meet their clients' requirements. This requires newer technology and operating models that, together, support the goal of delivering products and services cost effectively across their delivery channels. Fulfilling new customer needs requires innovation, and sustainable innovation requires modern technology. Corporate banks prioritizing this will leapfrog competition.

In the third chapter, we will further dive deep into the various modern technologies being adopted in the corporate banking segment and their impact.

Corporate clients value tailored solutions and quicker credit provisioning

The bankers rated the ability to provide tailored solutions for client businesses as the top priority from the point of view of their customers, with over 90% selecting it as essential or very important. This is unsurprising given that the pandemic has caused unprecedented disruptions, and different industry segments have been facing challenges of differing magnitudes. Because of varied dynamics that exist in every industry and across different enterprises, the focus on offering highly tailored solutions has never been more profound.

Also, 88% of respondents rated 'credit provision with the shortest turn-around time' as essential or very important for their customers. This is again attributable in part to the disruptions caused by the pandemic on business operations, which has made the ability to quickly raise credit even more highly valued.

CASE STUDY:


Powered by AI and ML, Bank of America offers smart cashflow forecasting solutions

The Bank of America Corporation is an American multinational investment bank and financial services holding company headquartered in Charlotte, North Carolina. Bank of America has leveraged Artificial Intelligence and Machine Learning technologies to shore up cashflow forecasting capabilities for their business clients. The tool is designed to accurately predict future cash positions across clients' accounts at Bank of America and other financial institutions. A variety of ML models learn from a client's historical cash flows, automatically select the most accurate one for each account and use it to forecast future cash positions. At the end of each day, the models are retrained based on the new cash flows from that day, allowing them to continuously learn and adjust for changes in seasonality and other operational impacts specific to each company. [Source](#)

CASE STUDY:

BBVA makes digital maturity of clients integral to credit profiling

BBVA, is a Spanish multinational financial services company based in Madrid and Bilbao, Spain. A bank that is looking to revolutionize the corporate loans market is BBVA. The digital loan (D-Loan) is a product created by BBVA, which aims at incentivizing corporates to accelerate their digital transformation, a topic currently occupying the minds of most CEOs. The main innovation is that the price of the D-Loan is linked to the digital maturity of the borrower, in addition to its credit profile. [Source](#)



Business
Model
Evolution
Not 'If,' but
'When'

Corporate banking business will heavily embrace platform plays and adopt new business models.

Over the past few years, an onslaught of forces such as growing technology adoption, changing customer expectations, and non-traditional competition have escalated the urgency for business model innovation in corporate banking. Profitability has been under strain for reasons such as near zero interest rates, and the pandemic-induced defaults have only further worsened the situation. There is pressure from regulators to cut non-performing assets and shore up capital, further increasing compliance costs.

CASE STUDY:

Silicon Valley Bank offers innovative solutions for start-ups and tech focused companies

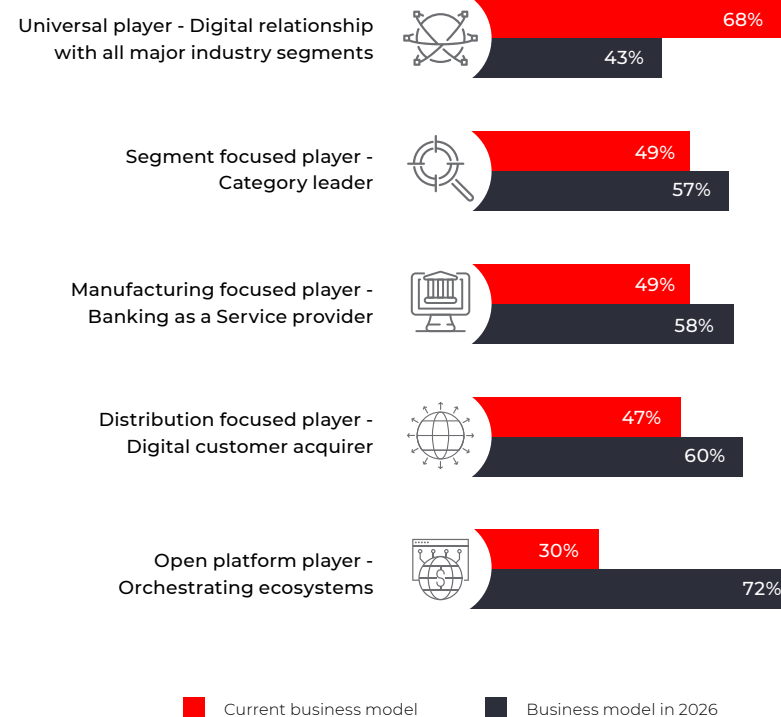
Silicon Valley Bank, a subsidiary of SVB Financial Group, is a U.S.-based high-tech commercial bank. Silicon Valley Bank (SVB) is a great example of a segment focused player. The bank differentiates by specializing in what they call the innovation economy. The company works with key players in the tech ecosystem with experience in supporting companies from start-ups to unicorn status. The bank claims that 50% of all venture capital-backed tech and life science companies in the U.S. are its clients. The bank offers a unique client experience that provides insights, support, and connections for start-ups to help them reach their business goals. SVB also offers financial and banking services to help these companies manage cash flows and access global markets. [Source](#)

CASE STUDY:

ICICI Bank launches InstaBIZ, a digital platform for SMEs

ICICI Bank is a leading private sector bank in India. ICICI has created a comprehensive digital banking platform called InstaBIZ for its SME and self-employed customers to manage their business banking transactions securely and conveniently using online and mobile banking. The platform hosts about 115 products and services, not limited to regular products such as loans, payments and trade finance, but also an array of other services such as instant GST payments, applications for POS machines, service and inquiries around operative, deposit and loan accounts, cash management solution payments and trade online approvals, and KYC information. ICICI Bank's approach to orchestrating an ecosystem with InstaBIZ is a great example of how a bank can leverage business model innovation to tap the SME business, which has historically been accorded as the less-than-desirable priority for banks globally. [Source](#)

Q Which of the following are a part in your current business model mix? How do you expect them to evolve over the course of the next five years?



Note: Numbers are rounded and therefore may not add up to 100%.

Besides, new competitors are disrupting the market with innovative, digital business models, offering superior products and experiences at low prices. This renders incumbent banks, often with cost-income ratios of over 50%, increasingly unsustainable in comparison. Despite the quantum of change, banks are resisting broad business model changes and reacting to innovation with peripheral fixes. The innovation is needed not just at the product or services layer, but in the business model itself.

CASE STUDY:

Emirates NBD's mobile-only propositions for entrepreneurs and SME businesses

Emirates NBD Bank PJSC is Dubai's government-owned bank and is one of the largest banking groups in the Middle East in terms of assets. Emirates' E20. is a good example of a digital bank. Unveiled in September 2019, it is a mobile only banking facility for entrepreneurs and SME businesses. It is UAE's first digital business bank that targets SME business, start-ups, freelancers, sole proprietors, gig economy workers, Fintechs and insurtechs and allows them to perform their day to day banking requirements on their smartphone. It also provides a variety of digital tools to assist the business owners in managing their businesses. [Source](#)

Corporate banks will embrace a platform-centric approach to create, capture, and deliver value

Clearly, the traditional model, where every corporate bank manufactures and distributes its own products and services, through channels that it owns, will break down. 72% of respondents believe that the future is all about building a platform business by tapping new and diverse partner networks within a larger ecosystem.

CASE STUDY:

Goldman Sachs launches Transaction Banking as a Service

The Goldman Sachs Group, Inc. is an American multinational investment bank and financial services company headquartered in New York City. Goldman Sachs has launched a new transaction banking platform, aimed at helping clients build a treasury of the future and powering software partners to enhance their offerings. The platform offers API-enabled and fully integrated solutions powered by rich analytics, including liquidity management, virtual accounts, payments, and escrow services. The innovative platform has been designed for a host of digital savvy players, comprised of Fintechs and e-commerce marketplaces, enabling the bank to drive banking-as-a-service propositions in the lucrative transaction lines of business. [Source](#)

While most corporate banks are universal players today, the road ahead indicates a 42 percentage points shift towards the platform business model between now and 2026, wherein corporate banks will look forward to orchestrating ecosystems.

It's also important to note that while the preferred archetypes mentioned are mutually exclusive, there is some overlap with alternative approaches. For example, an incumbent bank, while pursuing the platform plays, could also choose to be a category leader, or a manufacturing leader, or a distribution player as a secondary model.

The evolution may also vary across regions based on the maturity of the digital banking infrastructure, policy framework such as open banking regulations, and intensity of competition. However, it is clear that the current pipeline-based business model will clearly give way to the new-age platform business model.

From monolithic pipelines to marketplace operators, the roles will shift

The new age of corporate banking dynamics with its platform-based approach will be powered by digital product engines. This will mean that banks will not only host their own products such as corporate loans, but also enable access to complementary partner products such as insurance and joint products such as syndicated loans, blockchain-based digital ecosystems, and placement of third-party competing products.

The bank's role will shift to that of an aggregator offering both financial and non-financial products and services. In parallel, the bank will change focus from merely pushing products to recommending contextual offerings built to suit the needs of the industry segments in which its corporate clients operate. Also, corporate banks will work to bring third-party channels on par with their own. Emerging business models will necessitate new innovations in the way products and services have been historically offered to corporate customers.

While incumbents continue to focus on core products, new entrants will lead innovation in transaction banking.

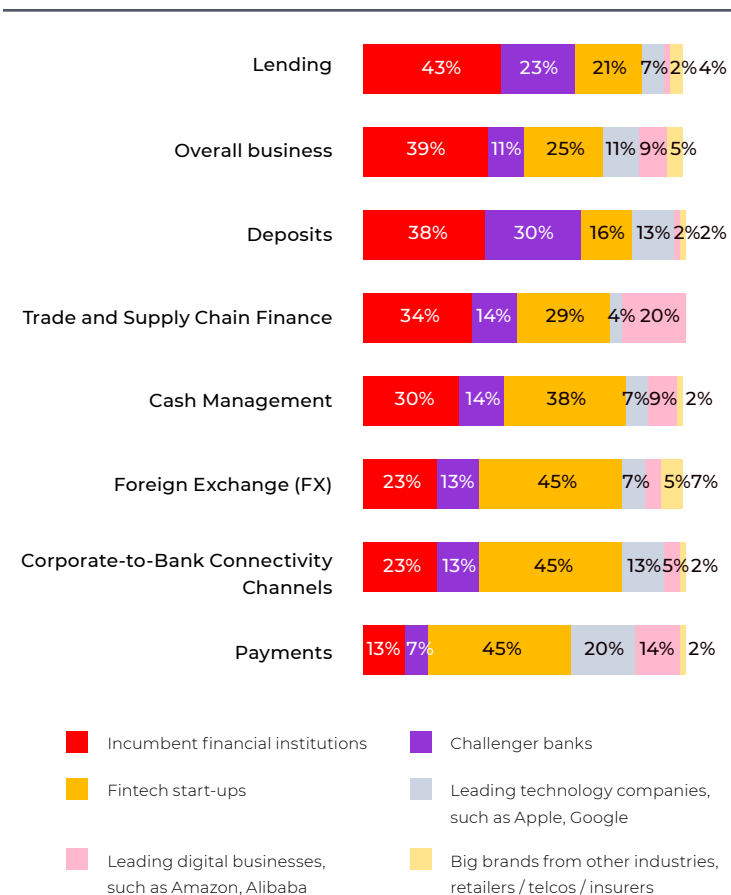
The survey indicates that incumbent financial institutions are comfortable focusing on innovations largely in their traditional lines of business such as lending, deposits, and trade and supply chain finance. However, they need to be wary of Fintechs ploughing innovation investments into cash management, foreign exchange and payments. Not surprisingly, these lines of business offer multiple options to generate fee-based incomes and are associated with higher margin possibilities—thus both from a growth and profitability perspective, incumbents must consider expanding their innovation focus in these areas.

Also, in areas such as trade and supply chain finance and payment solutions, the survey throws light on innovation efforts by leading digital businesses such as Amazon and Alibaba. It doesn't come as a surprise that they are aggressively building partnerships with traditional banks and emerging Fintechs for finance and payment solutions, while leveraging their existing marketplace business platforms to build new business propositions for both buyers and sellers.

Corporate banking does not face an imminent threat from tech giants such as Apple and Google, unlike in the retail banking space, where they are leading the competition at multiple fronts. That said, they do have an increasing focus in the payments solutions space.

With open banking becoming mainstream, it will not only enable new entrants to foster new connectivity solutions, but it will also enable them to build new viable business propositions (pretty much across cash management, payments and financing solutions). This aligns with the survey findings—45% of bankers believe Fintechs will lead innovation in connectivity and associated solutions.

Q In your opinion, which of the following players will be leading innovation in the commercial and corporate banking industry over the next five years across the following areas?



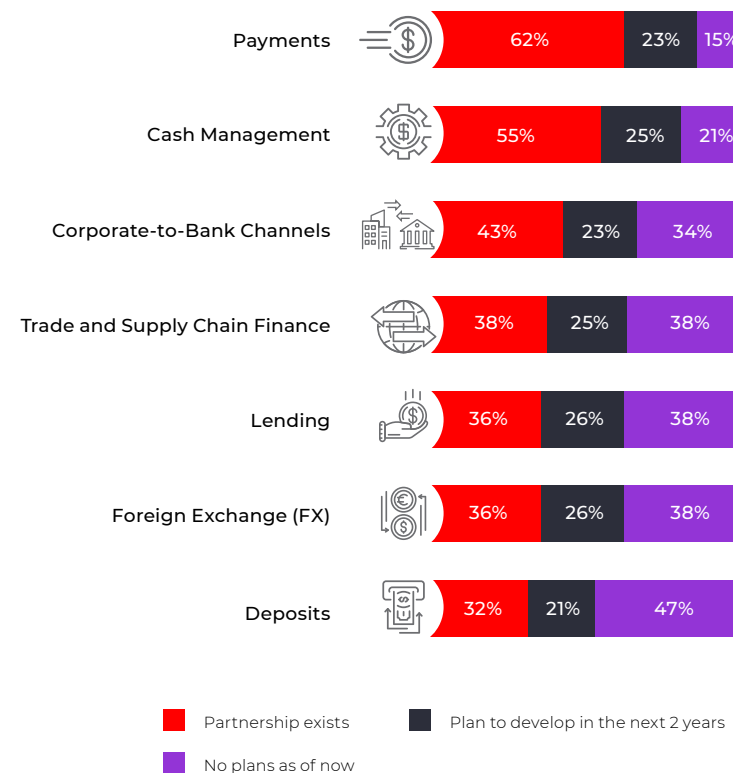
Note: Numbers are rounded and therefore may not add up to 100%.

Competition will disrupt traditional orders— partnerships are the way forward.

Partnering with Fintechs appears to be a necessary approach for banks seeking to offer innovative services to maintain and expand market share. When asked about their existing Fintech partnership status and future plans, survey responses indicated that banks want to hold the core products close to their innovation strategy, and not many were open to partnership in this area. However, the survey indicates greater openness and thus ongoing partnerships with Fintechs in payments, cash management, and connectivity channel offerings.



Q What's the status of your Fintech partnerships in the following areas?



Note: Numbers are rounded and therefore may not add up to 100%.

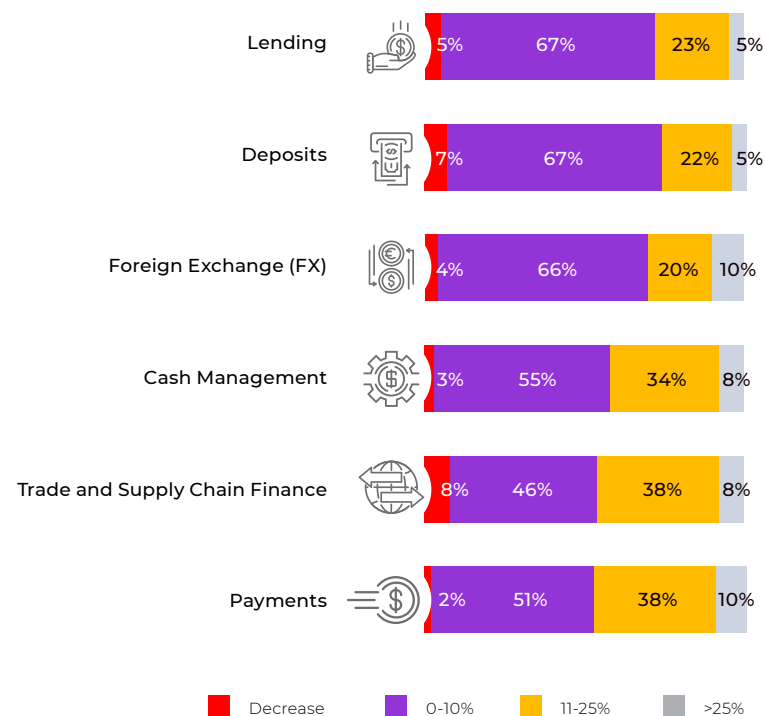
Cash management, payments, trade and supply chain finance will be primary growth drivers in next 3 years.

While the survey indicates that the core corporate banking products of deposits and lending will continue to be stable lines of business, a vast majority of respondents expect them to deliver less than 10% growth. This is not surprising given the subdued macroeconomic environment in the wake of the pandemic, where companies struggle to keep themselves afloat or are risk-averse in their business strategies.

Instead, respondents believe that primary growth will be fueled by transaction lines of business such as cash management, payments, and trade and supply chain finance. More than one-third of the respondents believe transaction lines of business will see 11-25% growth, and some even anticipate growth beyond 25% in the next three years. The advent of open banking paradigms in corporate banking and API-led possibilities will create new avenues for real-time information flows. This will dramatically propel new business propositions in this space and the promise of fee-based incomes and opportunities to deepen client relationships makes these lines of business lucrative.

However, given that these lines of business are susceptible to competitive threats from new entrants with high digital prowess and differentiated models, it's imperative for bankers to consolidate existing capabilities and adopt new digital strategies to realize their growth vision.

Q How do you anticipate the compound annual growth rate (CAGR) to change in the next 3 years for the various business segments in your organization?



Note: Numbers are rounded and therefore may not add up to 100%.

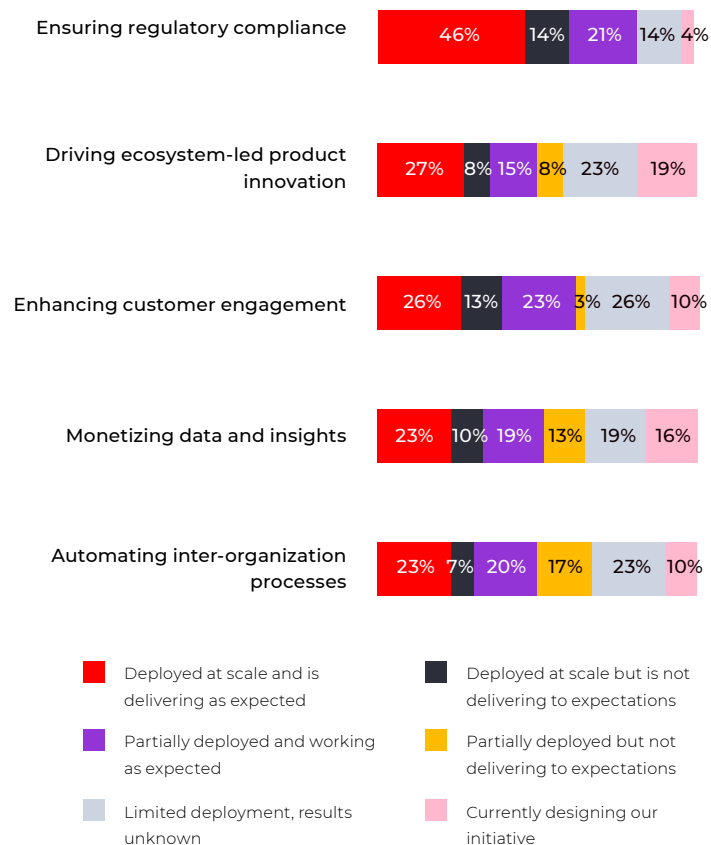
By and large, open finance strategies are compliance-centric, and their scope must be expanded rapidly.

Nearly 40% of survey respondents said that their open finance strategies have been deployed at scale and are delivering from the perspective of ensuring regulatory compliance. While open banking regimes aimed at enabling customer centricity and bringing in enhanced competitiveness are growing across the world, corporate banks have yet to embrace the newer opportunities they offer.

Yet, only about a quarter of respondents said their open finance strategies around ecosystem-led product innovations, enhancing customer engagements and monetizing data and insights are deployed at scale and delivering as expected. Among those who are currently designing new initiatives leveraging open banking norms, the priority is driving ecosystem-led product innovations, the survey indicates.

Banks will do well to proactively adopt open banking strategies and be future-ready.

Q How would you rate success of your open finance strategies?



Note: Numbers are rounded and therefore may not add up to 100%.

Cash management, payments and connectivity solutions will lead the innovation investments.

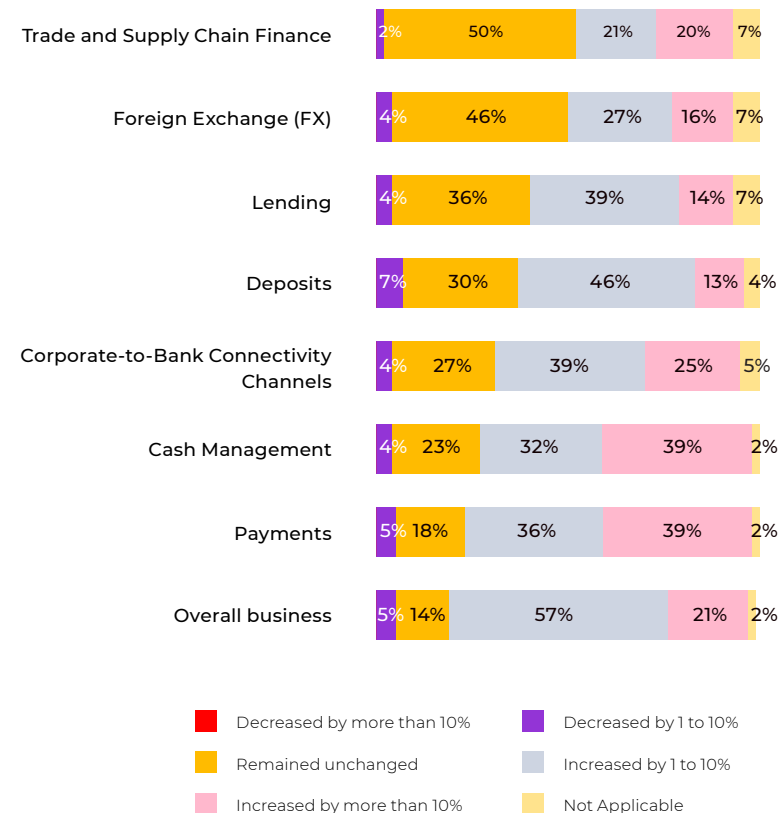
Nearly 40% of bankers have indicated that innovation investments in cash management and payments have increased by more than 10%. The findings drive home the point that bankers are increasingly accepting digital cash management as an essential area to drive new sources of revenue and make innovation investments. Enabling truly digital cash management propositions for business clients also requires an additional focus on payments modernization and digital channel engagements—the survey confirms the strategic intent and investments. As corporate banks strive to scale new frontiers in digital cash management, combining access to innovative global cash and liquidity management solutions with much-needed flexibility and self-serve capabilities will be crucial.

Market forces are already catalyzing cash management dynamics

Central banks and regulatory bodies worldwide are driving real-time payments initiatives as multiple forces propel the cash and liquidity management dynamics. Market infrastructures such as SWIFT are reimagining the cross-border correspondent banking paradigms, which is catalyzing innovations in cross-border payments and corporate liquidity management. For instance, SWIFT gpi, the new standard in global payments, enables faster frictionless payments with increased transparency and enhanced visibility.

API-driven open banking mandates such as account access services and account aggregation services are creating new avenues for real-time information flows. PSD2's X2A service is a case in point. Corporate banks are now aggressively embracing API-driven initiatives, enabling seamless connectivity with their business clients, and more importantly embedding banking services in their customer in-house systems. As a result, corporate clients have enhanced cash visibility and are able to drive cash operations with ease.

Q How are innovation investments evolving for your institution across segments?



Note: Numbers are rounded and therefore may not add up to 100%.

It's also important to bring back innovation focus in trade and supply chain finance

Surprisingly, while 60% of respondents hailed trade and supply chain finance as 'very important' or 'essential' to their line of business in response to an earlier survey question, 50% of bankers said that investment in this area has remained unchanged. With trade and supply chain finance seeing innovation from new competitive entrants, banks too need to re-align their innovation investment strategies with the market dynamics, while prioritizing core corporate product lines.

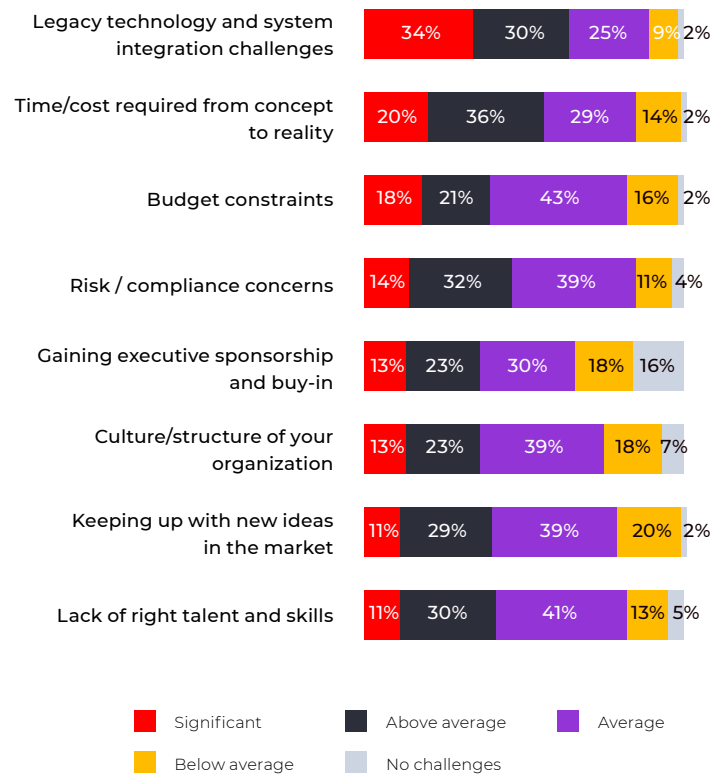


Technology barriers are stifling corporate banking progress towards the ongoing reset.

Corporate banking today faces unprecedented flux, as multiple disruptive trends collide with traditional business models. Winning in this situation requires imagination on several fronts such as client acquisition, building and selling products, pricing management, integration across channels, ecosystem collaboration, risk mitigation, and streamlining internal and client-facing processes.

While digital leaders in corporate banking understand the profound impact of technology on their business throughout the value chain, for several banks, their siloed and complex legacy solutions built on obsolete technology are the biggest inhibitors on the path to innovation. 64% of survey respondents rated legacy technology and system integration challenges as the key challenges with respect to innovation. Legacy technology also likely leads to low speed to market and cost overruns, which over 50% of respondents picked as a challenge.

Q Rate the challenges that your organizations face with respect to innovation.



Note: Numbers are rounded and therefore may not add up to 100%.

A blurred photograph of several business professionals walking on a modern office staircase. The image is taken from a low angle, focusing on the lower legs and feet of the individuals. The background shows a glass-walled office building with a grid pattern. A prominent red rectangular box is overlaid on the right side of the image, containing white text. The text is arranged in a vertical stack, starting with a large title and followed by a subtitle.

Crossing the Chasm

Modern Technology Adoption for Corporate Banking

The deployment of modern technologies has never been greater and will play a pivotal role in defining the future of corporate banking. When bankers were asked about the importance of modern technologies, cloud, open APIs, artificial intelligence (AI), advanced analytics, and blockchain were considered to be extremely important in shaping their future strategies. However, corporate banks have still been slower than most other industries in successful and true adoption of these technologies.

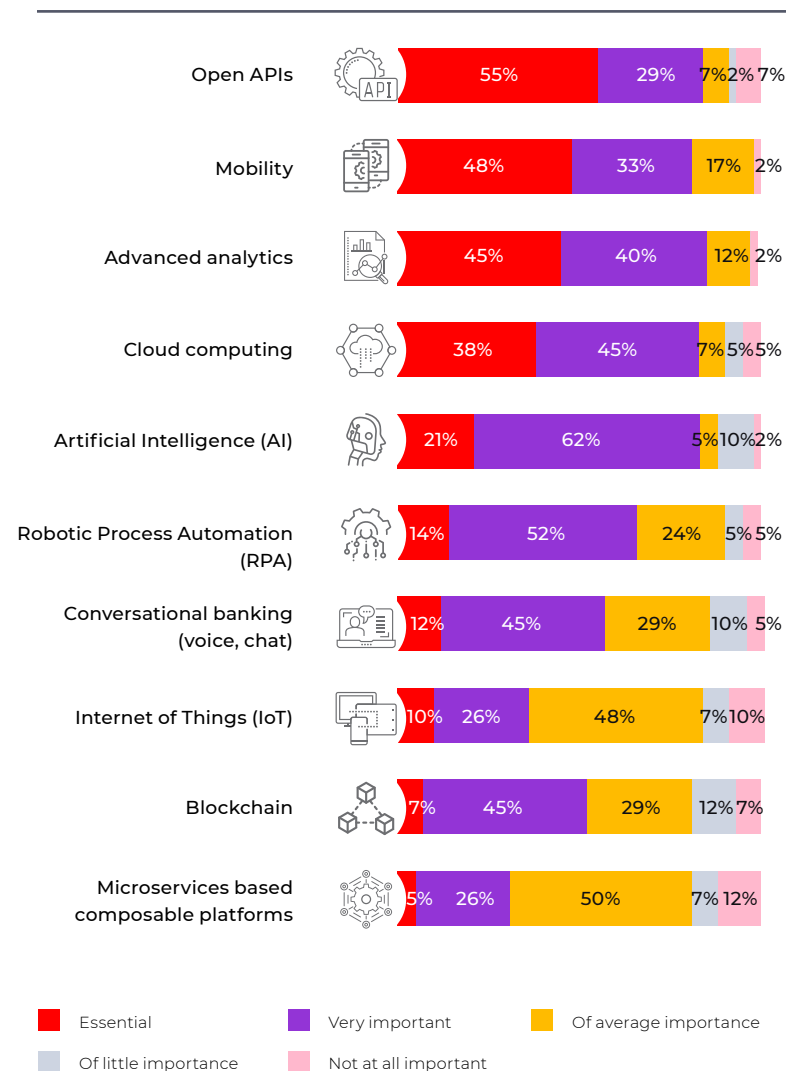
Corporate banks acknowledge the importance of modern technologies, but adoption is still lagging.

Modern technologies are shaping new digital experiences in segments elsewhere such as retail banking, e-commerce platforms, digital entertainment, and more: increasingly, corporate customers expect similar experiences in their corporate banking engagements for agile, tailored, and seamless banking. In response to our survey, over 45% of bankers picked open APIs, mobility, and advanced analytics as essential technologies to their organizations. The respondents have also cited that modern technologies such as AI (62%) and RPA (52%) are very important in achieving their desired business outcomes. Cloud computing, conversational banking, and blockchain are not far behind (45%).

Yet, financial institutions have had limited success in deploying these modern technologies. For instance, while over 85% of respondents perceive advanced analytics to be essential or very important, only 12% believe they have achieved significant success in leveraging the technology. This is an important observation since advanced analytics is expected to play a big role in corporate banking in the digital age. Banks must harness the power of data-led insights to understand corporate customers better, identify business opportunities, and reduce costs. Data analytics will also enable banks across the spectrum to discover new opportunities with existing clients, proactively preview customer behavior, spot pricing improvement opportunities, predict defaults accurately, and thus mitigate risks better.

Advanced analytics is particularly critical in the context of customer 360-degree views and relationship management. Deep insights on industry and organization will result in a shift in the dynamics from pushing products to offering strategic, actionable advice to clients and thus creating winning propositions for both the bank and its customers.

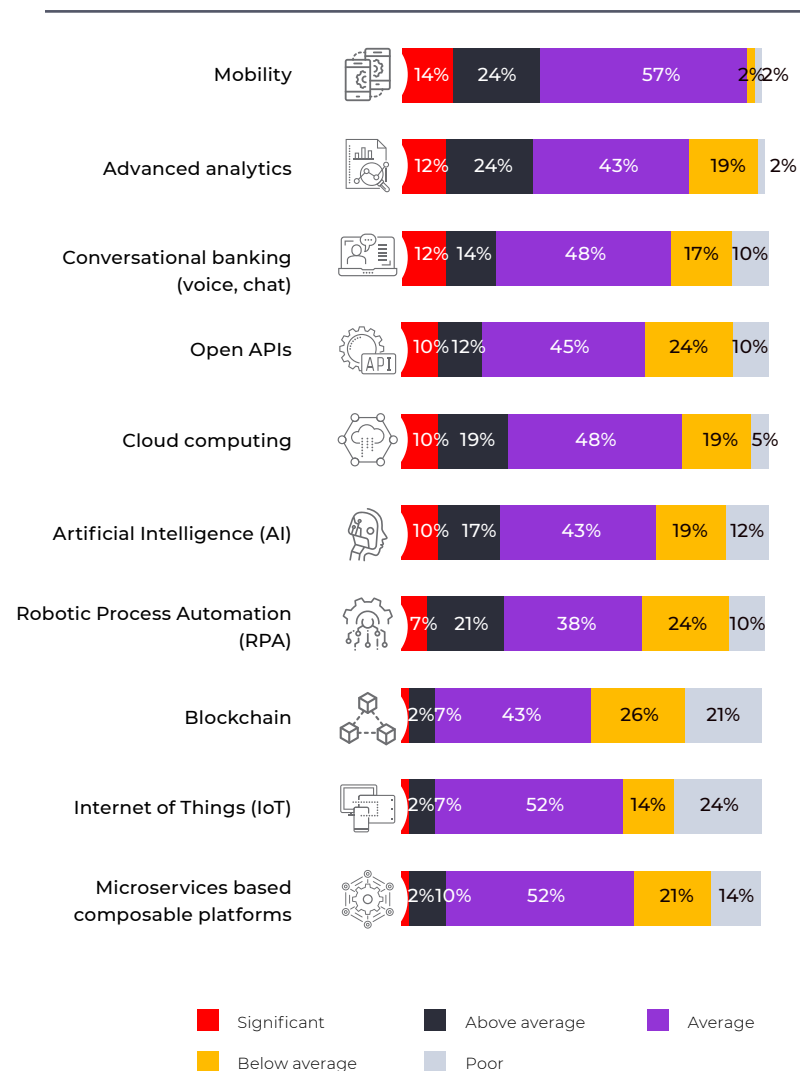
Q Please indicate the importance you perceive with the following technologies in delivering desired business outcomes.



Note: Numbers are rounded and therefore may not add up to 100%.

Similarly, while 84% of respondents have hailed open APIs either as essential or very important, it is startling to note that only 10% have achieved significant success. Earlier in the survey, we have observed the bankers having indicated the shifts in business models from being Universal banking players to platform players and ecosystem orchestration. To truly realize this vision, banks will need to elevate and advance their API strategies from the current levels. They will need to orchestrate a suite of APIs to enable data sharing and drive collaboration with customers and ecosystem partners. They will need to further accelerate innovation, drive better synergies, and take banking services closer to the systems used by the corporate enterprises.

Q Please indicate the level of success you have had with the following technologies in delivering desired business outcomes.



CASE STUDY:

API-led propositions for corporate clients at United Bank for Africa

Nigeria's pan-African financial services group, United Bank for Africa (UBA), leveraged RESTful APIs for transaction authentication and reconciliation for corporate customers by integrating their core solution with their corporate customers' ERP system. This enabled transactions in more than 700 branches to flow into the customer's database and facilitated tracking by printing details, such as the transaction number, on depositors' acknowledgment slips. It also made it easier for customers to reconcile sales and inventory online. This innovation led to the bank recognizing over US \$7 million in collection turnover annually. *Source*

There is a similar trend with the cloud as well. While 83% of respondents identified it as a crucial technology for their banks, only 10% have had significant success. Cloud has the potential to power new possibilities—ranging from cash flow forecasting to payments innovation and various other value-added services. The emergence of new entrants such as Fintech and challenger banks that leverage cloud technology to design and deliver highly personalized products, as well as enhanced customer-centricity, spells a sense of urgency for banks to take action to bridge the gap.

Note: Numbers are rounded and therefore may not add up to 100%.

CASE STUDY:**Cloud-based Transaction Banking at Goldman Sachs**

Goldman Sachs took a cloud-based approach to disrupt their transaction banking. The 100% cloud transaction banking platform has been created around a single payment and deposit platform that engages with a single data platform, thus empowering the corporate customers with real-time data. Additionally, the cloud-based approach allows the banks to deliver 99.99% uptime by enabling horizontally scalable designs and highly resilient applications. The platform will support the corporate clients with tools that will make their individual platforms highly functional and versatile. The bank has also created an array of products that successfully connects their clients' banking platforms and their clients and customers. [Source](#)

Blockchain is another area where adoption falls below expectation. 45% of respondents listed blockchain as being very important, and 7% said it is essential, and interestingly only 2% of the bankers surveyed said they have achieved significant success in blockchain. Another survey question revealed that while a few banks have made some strides in leveraging blockchain-based solutions for cross-border payments and global trade finance business lines, this is yet to become mainstream.

CASE STUDY:**Blockchain-powered Trade Finance Innovation**

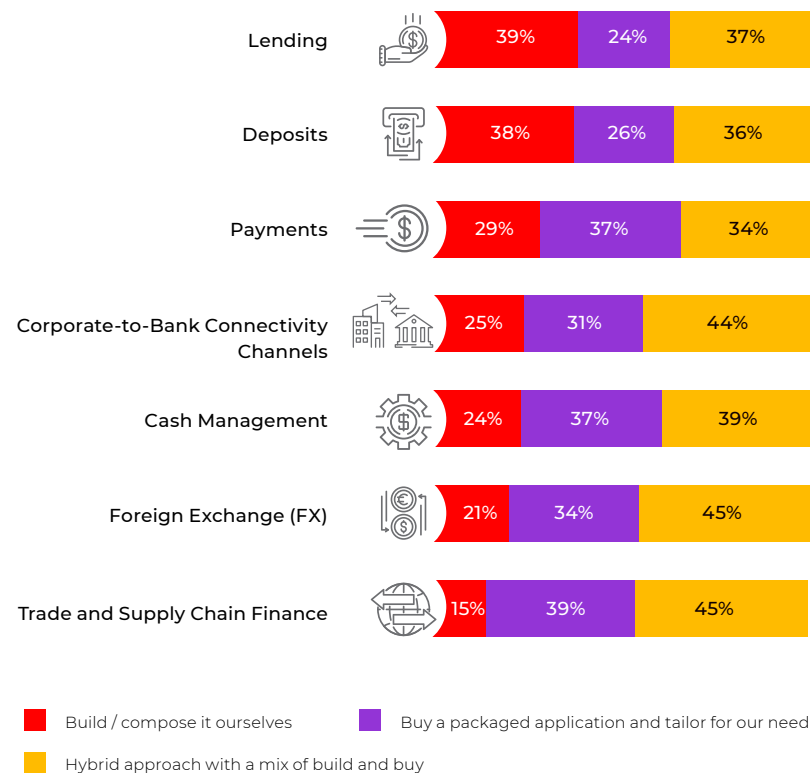
Indian Banks' Blockchain Infrastructure Co (IBBIC), a joint venture of 15 banks powering a blockchain-based collaborative ecosystem, is using blockchain to automate trade finance processes across different banks. The initiative is expected to help digitize end-to-end trade finance transactions. The utility is poised to bring marked improvement in transparency and efficiency, reduce cycle time, operational costs, and trade fraud, while also helping to grow the market. For instance, the inland letter of credit cycle time has been reduced from 9 to 10 days to 2 to 3 days. [Source](#)

Digital platform plans lean away from 'build it ourselves.'

Banks continue to lean heavily towards a 'build it ourselves' approach when it comes to slower growth areas such as lending and deposits. However, when it comes to prospective growth drivers such as transaction lines of business (where the respondents have indicated higher CAGR in the next 3 years), there is a greater preference towards either buying packaged applications and tailoring them for their needs or using a hybrid approach.



Q Which of the following best suits your digital platform plans?



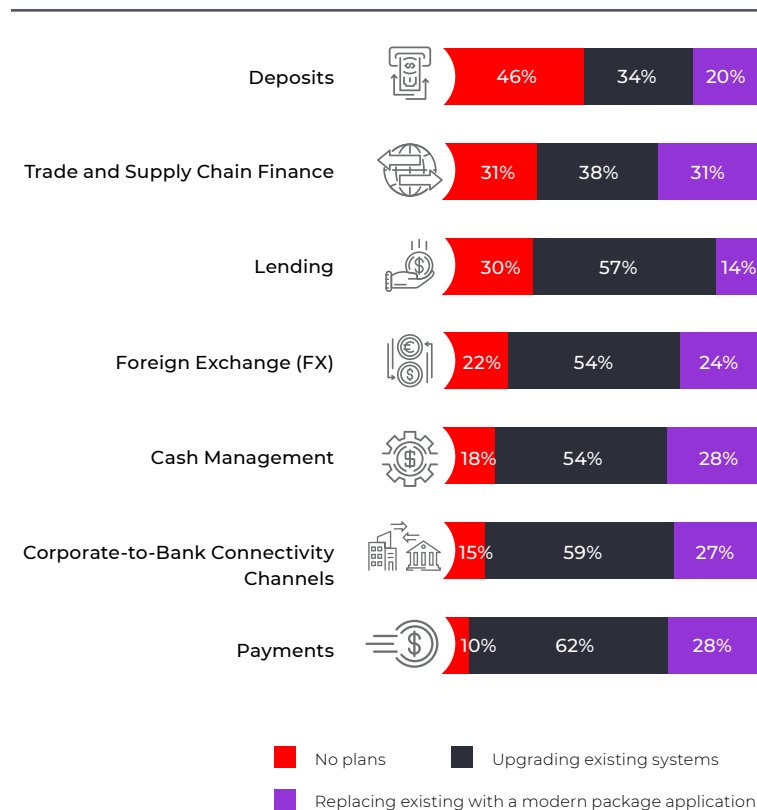
Note: Numbers are rounded and therefore may not add up to 100%.

System upgrades—the preferred strategy for technology modernization across product lines.

As enterprises in all industries digitize rapidly, the impact of digital technology is apparent in shaking up the competitive landscape and economics of corporate banking. These enterprises look to their banks to align with their digital journeys and match their expectations of a sound value proposition, tailored solutions, and highly efficient delivery of banking services. This makes it imperative for corporate banks to modernize their legacy core systems with a robust digital platform that is equipped with the latest capabilities.

This survey indicates that over the next 12 months, most banks will continue to have a focus on technology investments and modernizing platforms across all lines of business. While the dominant preference is towards upgrading existing systems, about a third of respondents are in favor of replacing existing systems with a modern package application. This is especially true in the case of trade and supply chain finance, cash management, and payments.

Q What are your technology modernization plans over the next 12 months in the following areas?



Note: Numbers are rounded and therefore may not add up to 100%.

While the survey respondents agree that blockchain-based digitization helps build new propositions for customers across many areas, real world adoption is low.

It is imperative that incumbent institutions continue to evaluate DLT (Distributed Ledger Technology) and build strategies to create customer-centric innovations. For instance, banks will stand to gain significantly from digitizing and automating inter-organization trade finance processes on a unified, distributed, trusted, and shared network. This will enable them to bring together their corporate customers, frequent trade partners and other stakeholders on a curated network. In turn, this will drive a drastic reduction in cycle time and offer unprecedented efficiencies and customer value. On a similar note, a blockchain-based payments network will also enable banks to compete effectively with new-age digital providers and retain primacy in payments, minimizing complexity and cost. Digital identity management, syndicated lending and digital checks are some of the other avenues where blockchain-led propositions can offer new value streams.

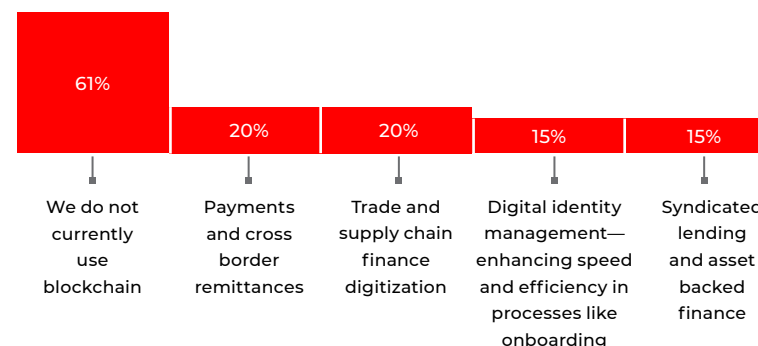
From risk mitigation to customer engagement and experiences, AI will find relevance across a host of use cases.

Given its inherent capabilities, AI undoubtedly allows for a host of use cases in corporate banking. Not only will it play an important role in risk management, but more importantly, it will enable processes to scale customer-centric propositions. For instance, the survey indicates that 63% of respondents picked fraud detection and management as the top use case for AI—and this isn't surprising in the wake of increasing digital adoption during the pandemic and the corresponding increase in vulnerabilities.

The survey respondents are also enthusiastic about the role of artificial intelligence in shaping digital engagement and experiences in the corporate banking world. Conversational banking with the likes of chat bots, virtual RMs powered by AI, will become mainstream. Bankers also look at AI-powered capabilities to enhance multiple key processes such as customer origination, digital KYC, digital product discovery catalogs, and next best offers in their quest to enhance customer-centric propositions.

Q What are the primary use cases your organization has implemented using blockchain technology or Distributed Ledger Technology (DLT)? (Select all that apply)

Only top five responses are shown below.



Q What are the top 3 use cases where your organization is prioritizing investments in Artificial Intelligence?

Only top five responses are shown below.



Note: Numbers are rounded and therefore may not add up to 100%.



Digital Transformation Is an Ongoing Journey

Lending and cash management are well underway and succeeding.

The world was already speeding up towards digital transformation, with most banks sincerely working on transformation for the last 5 to 10 years. Then Covid-19 happened and gave it a new urgency. No one had factored in the unprecedented gyrations the industry would experience in the wake of the pandemic.

The ongoing reset in corporate banking is being driven by a virtuous cycle where clients' demand for faster, better products is met by innovations from new-age providers that in turn fuel more demand. While the majority of actions have mostly happened in the retail space, evolving demands of corporate customers, emerging business model archetypes, confluence of modern technologies, etc. are pushing corporate banks to catch up by adopting new innovations.

When asked about the maturity of the digital transformation journey, over one-fourth of the respondents believe that their digital transformation initiatives have been deployed at scale and are delivering as expected in lending and cash management. Connectivity comes in at a close third, where about 21% of bankers believe they have deployed digital transformation initiatives at scale. While these numbers may still seem low, likely prompting observers to comment that banks are not digitizing (fast) enough, the truth is, digital transformation—and consequently banking innovation—is an ongoing journey, and the goalpost is moving frequently. It is in the nature of digital transformation to take time.

Let us pay closer attention to the evolution of digital transformation in the banking industry.

DIGITAL PLATFORM PLANS	Deployed at scale and is delivering as expected	Deployed at scale but is not delivering to expectations	Partially deployed and working as expected	Partially deployed but not delivering to expectations	Limited deployment, results unknown	Currently designing our initiative
Deposits	19%	7%	26%	7%	14%	26%
Lending	26%	5%	29%	7%	17%	17%
Cash Management	26%	12%	21%	17%	14%	10%
Payments	19%	7%	29%	24%	4%	12%
Foreign Exchange (FX)	19%	10%	19%	10%	29%	14%
Trade & Supply Chain Finance	14%	14%	19%	5%	19%	29%
Corporate-to-Bank Connectivity Channels	21%	7%	26%	10%	14%	21%

Note: Numbers are rounded and therefore may not add up to 100%.

Digital 1.0 - 2.0 - 3.0

At the beginning of this millennium, banking was in the early stages of digital transformation, or Digital 1.0. Banks only looked to digitize existing ways of working. For example, paper account opening forms were replicated digitally, thus delivering only limited results. Digital 2.0 ushered in the phase where banks focused on digitizing the entire customer journey and delivering on new digital channels among others. A few years later, regulations in various countries pushed transactions towards open banking channels.

This progress paved the way for Digital 3.0, which is in the process of unfolding. This is where banking has begun to seamlessly embed itself into the customers' journeys. It is in this space—embedded finance—where all the action is taking place by way of Buy Now Pay Later (BNPL), open payments, etc., the hallmarks of Digital 3.0.

The transition from Digital 1.0 through 3.0 is visible in every aspect of banking. Take advanced analytics, for example. Stage 1.0 was the stage of descriptive analytics, which explained why a certain event had occurred within or outside a bank; stage 2.0 ushered in predictive analytics, enabling enterprises to make forecasts—of cash flow, for example. But it is in stage 3.0 that advanced analytics will showcase its powers to unveil new opportunities with existing clients, analyze and anticipate customer behavior, unlock new revenue possibilities, and even recommend best actions to customers and automate them on their behalf.

CASE STUDY:

Digital Transformations at Santander Bank

Leading by example, Santander bank automated its SME and corporate client onboarding experience by employing consolidated dynamic form functionality that catered to a wide array of banking products. It leveraged APIs to enable faultless due diligence that can be completed the very first time and in one go. This included KYB and KYC screening processes before the customer-facing onboarding phase is initiated, eliminating any duplication and also involving a counter-signing process. This was in the UK first.

Furthermore, to enhance its user experience, Santander has also introduced an inter-bank cash management portal to provide its corporate customers a fully-integrated solution with resilient, secure cash management services accessible through any device of their choice. This has enabled the bank with greater personalization options and the ability to rapidly introduce new product innovations for customers. [Source](#)

There are many banks that exemplify these progressions in digital transformation. Different banks are at different stages of their journey; while the leading banks and digital players have progressed, most institutions continue in their old ways. Progressive banks with digitized customer portals have been able to support their clients much better than other banks. They are leveraging technology and truly succeeding, mitigating the many challenges associated with multiple entities, disparate and inconsistent data sources and structures, connectivity challenges, and a huge variety of transactions.

CASE STUDY:

Bank of America Leverages Advanced Technologies for Receivables Automation

Another transformational story is that of Bank of America, which instituted a set of enhanced capabilities to its Intelligent Receivables solution. This enabled the bank's corporate customers to process payments and remittance data from local payment instruments in many languages such as Simplified Chinese, Traditional Chinese, Korean, Thai, and English. This comprehensive technology-based solution leverages AI and Machine learning abilities, has near 100% data capture capabilities, and empowers the clients with timely and accurate matching of payments and invoices by sending enriched payment information frequently. [Source](#)

The Path Forward.

The use cases discussed are just the tip of the iceberg of what digital transformation can do to transform the current corporate banking landscape. The question is no longer whether focusing on reimagining customer journeys, business model innovation, pursuing operational excellence, forming strategic partnerships with Fintechs, or modern technology adoption is the right strategy for banks—that is in many ways a settled conversation—but rather about committing the required number of years and comprehensive approach across these areas in order to succeed.

For it is an ongoing quest for new ways to create value for customers and deliver it in a seamless manner by embedding banking services in customers' journeys, and also for new revenues by monetizing data, and curating ecosystems of customer services. Also, the transformation is not by technology alone; banks need to do the following five actions to scale true digital transformation:



Once a bank puts this foundation in place, taking digital transformation to the next level takes progressively less time, effort, and expense. Digital transformation is an intense and ongoing journey. It's a continuum of change across several dimensions. It is a virtuous cycle. As the banks navigate their 2.0 and 3.0 journeys, Digital 4.0 is slowly unfolding with DeFi, digital currencies, AI at scale, and ubiquitous IoT powered by 5G. In this era of ever-accelerating change, the only sustainable strategy is to evolve across the five dimensions continuously.

About the Firms

Infosys Finacle

Finacle is an industry leader in digital banking solutions. We are a unit of EdgeVerve Systems, a product subsidiary of Infosys. We partner with emerging and established financial institutions to help inspire better banking. Our cloud-native solution suite and SaaS services help banks engage, innovate, operate, and transform better to scale digital transformation with confidence. Finacle solutions address the core banking, lending, digital engagement, payments, cash management, wealth management, treasury, analytics, AI, and blockchain requirements of financial institutions. Banks in over 100 countries rely on Finacle to help more than a billion people save, pay, borrow, and invest better.

For more information, visit
www.edgeverve.com/finacle/corporate-banks.

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Sudhindra Murthy - Global Product Marketing Manager

Red Hat

Red Hat is a provider of enterprise open-source software solutions, using a community-powered approach to deliver reliable and high-performing Linux, hybrid cloud, container and Kubernetes technologies.

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Strategic Treasurer

Strategic Treasurer was founded in 2004 by Craig Jeffery, a financial expert and trusted advisor to executive treasury teams since the early 1990s. Partners and associates of Strategic Treasurer span the US, the UK, and continental Europe.

This team of experienced treasury specialists are widely recognized and respected leaders in treasury. Known for their expertise in treasury technology, risk management, and working capital as well as other cash management and banking operations, they efficiently identify issues, creatively explore ideas and options, and provide effective solutions and implementations for their valued clients.

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A nighttime cityscape, likely Dubai, with numerous skyscrapers illuminated. Overlaid on the scene are numerous vertical lines of varying heights and colors (white, purple, blue) that resemble data connections or fiber optic cables. Some lines have small glowing dots at their bases. The overall aesthetic is futuristic and digital.

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