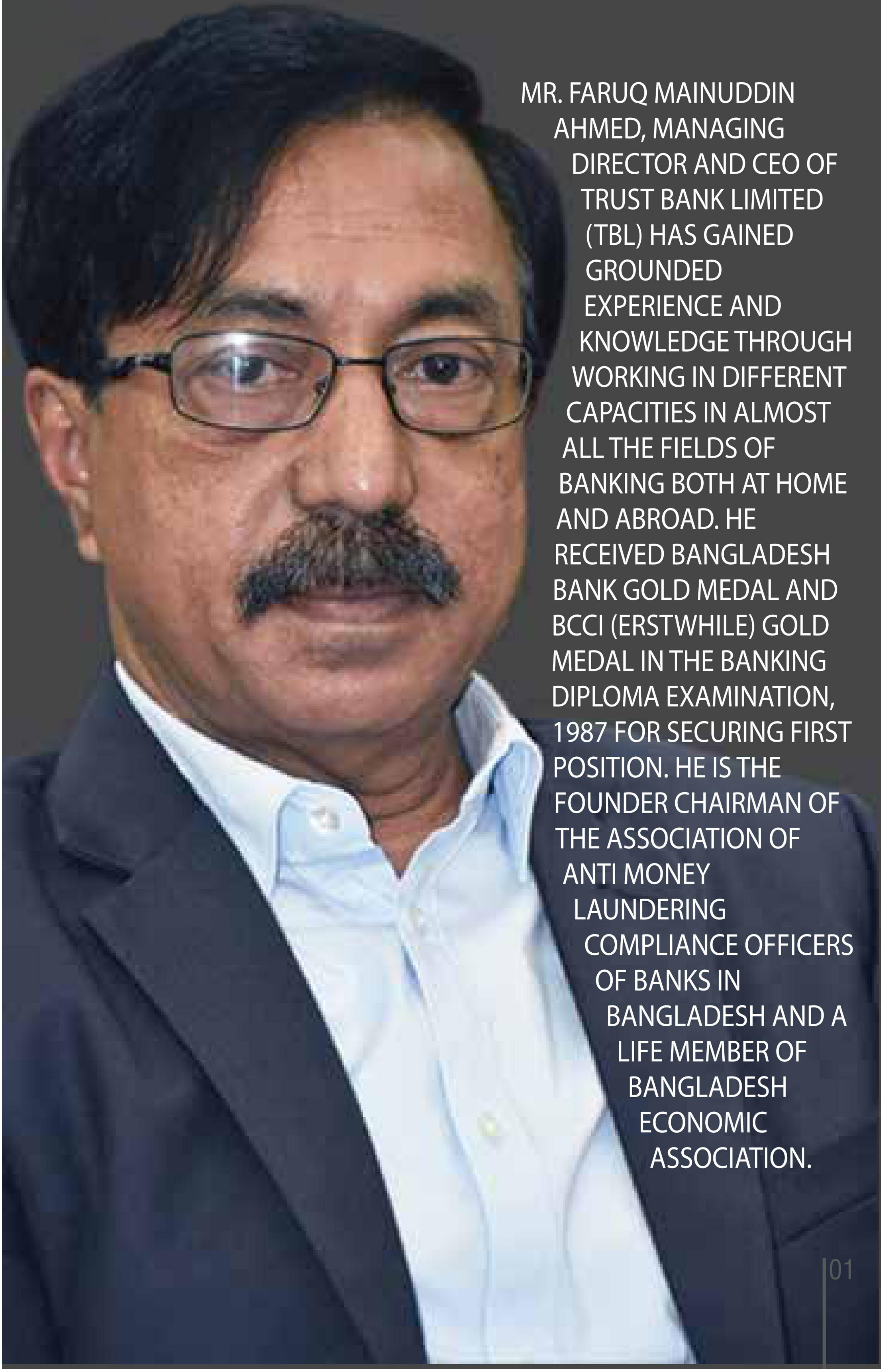

MR. FARUQ MAINUDDIN AHMED, MANAGING DIRECTOR AND CEO OF TRUST BANK LIMITED (TBL) HAS GAINED GROUNDED EXPERIENCE AND KNOWLEDGE THROUGH WORKING IN DIFFERENT CAPACITIES IN ALMOST ALL THE FIELDS OF BANKING BOTH AT HOME AND ABROAD. HE RECEIVED BANGLADESH BANK GOLD MEDAL AND BCCI (ERSTWHILE) GOLD MEDAL IN THE BANKING DIPLOMA EXAMINATION, 1987 FOR SECURING FIRST POSITION. HE IS THE FOUNDER CHAIRMAN OF THE ASSOCIATION OF ANTI MONEY LAUNDERING COMPLIANCE OFFICERS OF BANKS IN BANGLADESH AND A LIFE MEMBER OF BANGLADESH ECONOMIC ASSOCIATION.

Don't underestimate the power of the fintech revolution

FARUQ MAINUDDIN AHMED
Managing Director & CEO of Trust Bank

When I entered into the CEO suit of Trust Bank I saw --Mr. Ahmed so far authored 20 books and many articles on economy and banking, capital market, accounting, literature and traveling. He received ific bank literary award 2011 for excellent translation of "a poet apart", the literary biography of poet jibanananda das written by clinton b. Seely.He was posted at mumbai operation of ab bank as country manager for about 5 years and shared some experiences during the interview out of the box.

At first, I would like to declare my stand in this Bankers Dialogue: Bank-fintech collaboration is imperative in today's era of banking not a confusion at all.Those who do not work together will be left out of new ecosystems forming for financial services, and will find it harder and harder to maintain their competitive market position.

And don't underestimate the power of the fintech revolution. In Bangladesh, the bright example of successful collaboration is bKash-Brac bank partnership which has brought more than 30 million customers who were mostly unbanked into the formal banking channel. Study shows banks partnered with mobile payment fintech are changing the lives of millions of poor people. With the multifaced impact of financial inclusion, bKash has put positive impact on economic growth of Bangladesh. In Kenya, M-Peshahas been estimated to contribute an impressive 14% to total factor productivity growth - and that is what's needed to raise overall economic growth.In China, by bypassing the state-owned banks and credit card companies, fintech like Alibaba &Wechathas increased efficiency in China's financial system.

Why is this happening? The simple reason is the changing customers attitudes. Today's digital savvy customers have a world of banking options available at a tap of their phone – and they are

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ready to change banks if they don't get the experience they desire. They don't want to stand in a que at bank branch. Most customers are millennials people who use smart phones and love to shopping and banking with their phones. So, banks that fail to satisfy these customers are falling too fast.

Technological changes are having a profound impact on the way we go about our daily lives. Digital innovations have already changed the way we earn, learn, shop and play. Collectively, as a fourth industrial revolution, they are changing the geography of production and the contours of work. Today, retail consumers want hassle free quick service. Banking is now at their finger trips. So, keeping on top of what customers want is clearly crucial to acquiring a new customer and retaining existing ones in an environment of high switching and low loyalty. Digital innovation like mobile financial service has the potential to broaden financial inclusion but can also exclude consumer segments with low levels of digital and financial literacy. To acquire more customers both banks and fintech must work together to improve financial literacy.

The shift towards automation creates vast opportunities for improving efficiency but also impacts financial institutions' skill requirements, potentially entrenching the existing "low-skill low-pay" and "high-skill high-pay" labour divide. The country's significant potential for digital innovation must be considered alongside concerns of whether this will be exclusionary, and whether the transformation will enhance or diminish domestic value creation. So, the question has been raised: Which value creation strategies have the best opportunities of success? How could a bank find the balance between touch and technology?

I think bank-fintech collaboration is the right answer. When banks understand what their customers really want, banks and customers both win.Banks get the opportunity to increase revenue and provide more services without necessarily taking on additional risk or staff while providing a more advanced customer experience.FinTechs get access to a loyal customer base and the opportunity to leverage extensive financial services experience while navigating the regulatory environment.Besides, Fintech has the potential to increase economic growth in emerging as well as major economies through improving capital allocation and increasing efficiency. Because financial intermediation plays an essential role in economies, technological progress in this area may well generate the sort of returns that have proved more elusive with other digital inventions.

The banking ecosystem is in a state of transformation. New fintech entrants are coming into the marketplace regularly, while traditional providers are trying to adjust to the realities of digitalization, advanced technology and increasing consumer demands. For an industry that has developed over arguably thousands of years, and which has strong economic incentives to modernize and optimize its performance, it is somewhat dumbfounding that the financial services sector hasn't been more tech-enabled. Why does this matter? Because having easy access to capital systems across demographics is the heart of what moves societies forwards - and until financial technology (fintech) fully embraces the Fourth Industrial Revolution, we simply won't get there.

To survive, banks must keep up with technology and strive to be innovative. Soon enough they will need to utilize the power of AI and machine learning to streamline their processes, lower costs, deliver better customer satisfaction and increase revenues. As technology-based companies have entered the financial services industry, traditional banks have seen their market encroached upon as more nimble and flexible competitors chip away at the consumer and business customer base.To fill up the gap, fintech has stood out with innovations. It has become the part of the digital economy that has produced innovations and transformed the way we live. It has made most inroads in the area of payments and less in the others.And its potential is to unbundle banking into its core functions - such as settling payments and allocating capital.

Moving from a competitive perspective, banks and fintech firms now understand that collaboration may be the best path to long-term growth. But the key question becomes: what should they look for in selecting the right fintech partner or third-party service provider?

I think, successful collaboration will heavily rely on bank's ability to identify and assess whether candidates for partnership have the characteristics necessary for sustained success across four pillars:People,Finance, Business and Technology. And the success rests with those organizations who can understand each other's strength and weaknesses to improve the customer experience while also reducing operational costs. Potentially more important will be whether these collaborations can deliver the level of personalization, speed, contextuality, and seamless delivery to defend positions against the threat of the more pronounced competition that could come from the likes of Google, Amazon, Facebook and Apple (GAFA) or challenges from Alibaba and Tencent.

Understanding the opportunity and being able to take action on this opportunity are not the same thing, however. Between differing cultures, vastly different infrastructures and an ever-changing compliance playing field, collaboration between banking and fintech is far from simple, derailing many proposed partnerships.So, the most important task for both the partners is building a company culture in their organisationsand choose partnerships where the involved parties (banks and fintechs) value each other, and are eager to work through any differences to impact beneficial change.They must ensure all customer and business needs are met via the collaborative efforts and focus on digital channels to expand the depth and breadth of the bank's solution offerings. And finally, they should monitor the situation and be proactive.

And last but not least, if the collaboration is not mutually beneficial, take steps to terminate the collaboration and move forward.

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