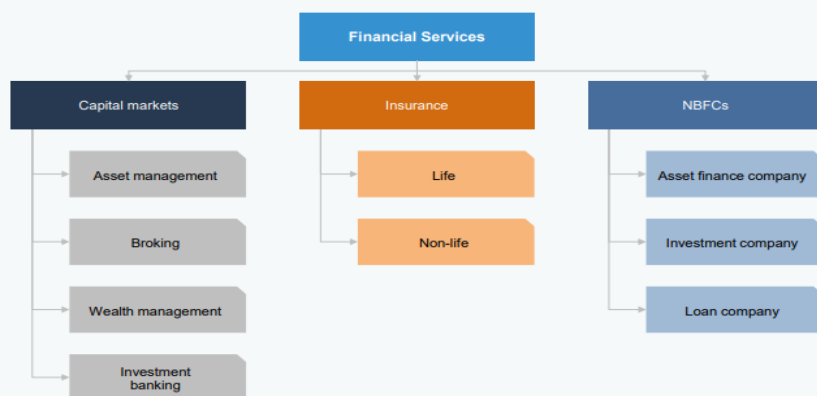


## Segments of the financial services sector



# Financial Services—*Knowledge Insight*

## FINANCIAL SERVICES—IBEF REPORT

India has a diversified financial sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The sector comprises commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. The banking regulator has allowed new entities such as payment banks to be created recently, thereby adding to the type of entities operating in the sector.

Source Link: <https://www.ibef.org/industry/financial-services-india>

## Crypto assets: Imagining the way forward

In recent times, financial markets across the globe, including India, have been abuzz with words like cryptocurrencies, Central Bank Digital Currencies (CBDC) and Non-Financial Tokens (NFT). Bitcoin, which came into existence in 2009, is probably one of the first cryptocurrencies in circulation. Apart from bitcoin, there are currently more than 8,000 other cryptocurrencies in existence. While many of these cryptos have little to no following or trading volumes, others enjoy immense popularity among investors. In India, crypto mining has been a challenge due to uncertainties around laws and regulations along with the huge infrastructure and power costs associated with the mining setup.

Source Link: [https://assets.kpmg/content/dam/kpmg/in/pdf/2022/06/Crypto-assets\\_imagining-the-way-forward.pdf](https://assets.kpmg/content/dam/kpmg/in/pdf/2022/06/Crypto-assets_imagining-the-way-forward.pdf)

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## A BETTER WAY TO FIGHT FINANCIAL FRAUD: FRAUD FUSION CENTERS

It's no secret financial Internet fraud is a growing problem. In the second quarter of 2017 alone, account takeovers grew 45 percent and cost \$3.3 billion in losses. In a world where fraudsters have the upper hand, traditional detection methods are no longer enough. Consolidating your fraud and cybersecurity capabilities into a single, integrated process can help your organization level the playing field and fight fraudulent cybercrime more effectively.

Organizations must rethink their tools and methodology to address today's fraud threats. Most organizations have

at least some of the pieces they need to be effective, but the hard part is getting them to work together. Cyber and fraud teams must speak the same language, understand and agree on the different levels of compromise, and be willing to work together before they can effectively share data, people, and processes. With the right plan in place, any organization can reap the benefits of a fraud fusion center to beat cyber criminals.

Source Link: <https://www.boozallen.com/c/insight/blog/a-better-way-to-fight-financial-fraud.html>

*Fast forward to 2022, India is a USD 3.3 trillion economy, poised to become a USD 5 trillion economy by 2026-27 and likely to double in size to USD 10 trillion by 2032-35*

### INSIDE STORY HEADLINE

The Reserve Bank of India's (RBI) recent move (as on 11 July 2022) to allow international trade in INR is not sudden. It is, in fact, a well-planned and a well-timed one! At the outset it may appear to be one of the many liberalisation initiatives undertaken by the government and the regulators over time.

## HAS THE TIME COME FOR INR TO BECOME RUPEE AS RESERVE CURRENCY?

The recent Indian blockbuster movie RRR ticked all the boxes – scale, entertainment, and box office collections. Set in 1920, the epic action drama is believed to be one of the most expensive and among the highest-grossing Indian films to date. It's probably time to replicate the same success for the INR (Indian Rupee) so that it becomes the RRC (Rupee as Reserve Currency) in near future.

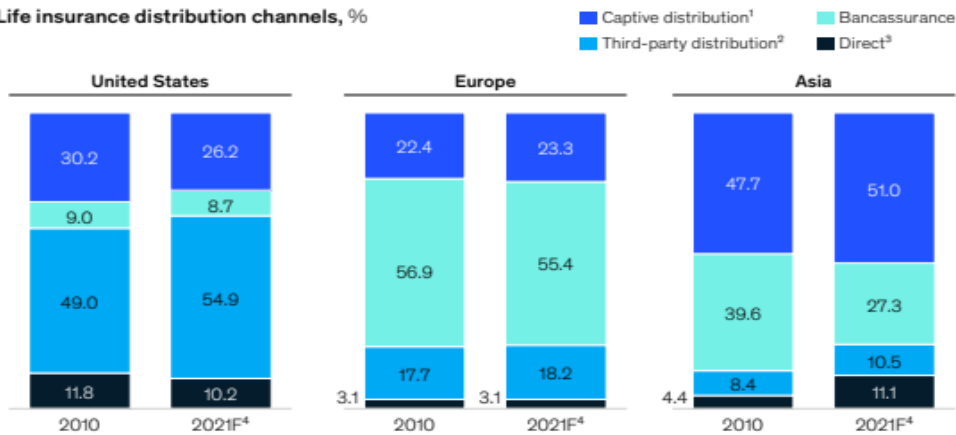
A currency gains its status as a reserve currency when it is widely used in international trade and the governments / central banks are prepared to hold it as part of their foreign exchange reserves. Any global currency derives its status primarily from the inherent strength and stability of its economy, and the trust that is put by the other transacting parties – governments, intuitions, and businesses, on such currency to hold ground in case of any crisis.

Source Link: <https://www.grantthornton.in/en/insights/blogs/has-the-time-come-for-inr-to-become-rupee-as-reserve-currency/>

Exhibit 6

**The United States, Europe, and Asia have seen a rise in third-party distribution networks in the past ten years.**

Life insurance distribution channels, %



Note: Figures may not sum to 100%, because of rounding.

<sup>1</sup>Tied agents and branches.

<sup>2</sup>Independent brokers.

<sup>3</sup>Remote channels, such as mail and internet, as well as other channels, such as retailers and worksite marketing.

<sup>4</sup>2021 figures are forecast.

Source: McKinsey Global Insurance Pools

## GLOBAL INSURANCE REPORT 2023: REIMAGINING LIFE INSURANCE

Over the past decade, our publications have chronicled the increased instability the life insurance and retirement industry has experienced. They've also reckoned with the trends that have been causing industry players to rethink their operating models, such as digital transformations; the rise of environmental, social, and governance (ESG) concerns; and the shifting economic environment. More important, they've worked to inspire insurers to consider new avenues for value creation.

In February 2022, the inaugural McKinsey Global Insurance Report offered a comprehensive overview of the challenges and opportunities facing the global insurance industry.<sup>1</sup> The 2023 report will be released in chapters and builds on that work with a new level of granularity and precision of recommendations for how insurers can accelerate growth and exceed performance targets.

This chapter covers life and retirement, including the major forces at play in the current life insurance industry, several ways insurers have adapted, and opportunities that life insurers and stakeholders can consider going forward—as well as the fundamental implications for their business models as a result.

Source Link: <https://www.mckinsey.com/industries/financial-services/our-insights/global-insurance-report-2023-reimagining-life-insurance>

### INSIDE STORY HEADLINE

**Four paramount forces creating opportunities and obstacles for the industry**

- Growing awareness of personal risk, and uncertain availability of socially funded benefits
- Near-term tailwinds from rising nominal rates, but real rates may remain low for long
- The growing role of technology
- Rise of Asian economies and the return of geopolitics

## INSIDE STORY HEADLINE

Revenue growth will stem primarily from a substantial increase in transaction value through embedded finance platforms. We will see increasing penetration in certain industries and significant revenue multiples across smaller subsegments, such as business-to-business (B2B) payments and BNPL.

## EMBEDDED FINANCE: WHAT IT TAKES TO PROSPER IN THE NEW VALUE CHAIN

**As this market expands, success will hinge on rethinking the risk and brand calculus, embracing different integration models, and understanding where to play.**

Financial services embedded into e-commerce and other software platforms accounted for \$2.6 trillion, or nearly 5%, of total US financial transactions in 2021, and by 2026 will exceed \$7 trillion, our research finds.

Payments and lending will continue to be the largest embedded financial services but will be bolstered by the growth of adjacent value-added services, including insurance, tax, and accounting.

Demand will grow because the “better together” proposition promises to im-

prove customer experiences and financial access, along with providing cost reductions and risk benefits to companies.

Incumbent financial institutions face the threats of shifting economics and adverse selection with this new value chain, but they can also realize tremendous growth if they identify where to play across specific vertical segments.

**Source** **Link:** <https://www.bain.com/insights/embedded-finance/>

## HOW INVESTMENT MANAGERS ARE TAPPING TECHNOLOGY TO IMPROVE ALPHA GENERATION

Technology has been dramatically changing the world for centuries, with each major wave of advancements bringing a whole new world with it. Technology has also impacted investment management over the decades, although some portfolio managers have been loath to adapt.

However, leading investment managers are continually upgrading their processes by adding new technologies in search of alpha, so no firm can afford to be left behind.

In its "2023 Investment Management Outlook," the Deloitte Center for Financial Services highlighted ways that technology provides advantages to investment managers who know how to use it.

**Source** **Link:** <https://www.forbes.com/sites/jacobwolinsky/2022/12/10/how-investment-managers-are-tapping-technology-to-improve-alpha-generation/?ss=fintech&sh=1d7d052767a4>

## HOW TODAY'S MORE AGILE FINANCIAL SERVICES SECTOR IS HELPING EMPLOYERS MAINTAIN A COMPETITIVE EDGE

Any organization that kicked off 2020 with a carefully drawn 10-year plan for operations, transformation, and growth had to tear up its blueprint within months. The pandemic catalyzed and accelerated business transformation with dizzying speed and intensity.

With all the chaos the pandemic brought, it has also handed organizations an unprecedented opportunity to rethink their plans—to embrace, champion, and execute transformation for their workforces, partnerships, products, and customers.

The risks of conducting business as usual, with the wishful thinking that life would somehow get back to normal, are far greater than embracing change. Today and in the coming years, for any customer-focused business, change is the only way forward.

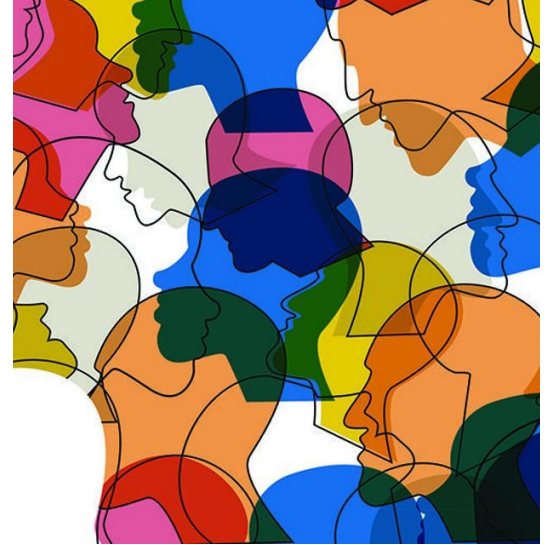
**Source** **Link:** <https://hbr.org/sponsored/2022/08/how-todays-more-agile-financial-services-sector-is-helping-employers-maintain-a-competitive-edge>

## IS YOUR MARKETING BIASED? FINANCIAL REGULATORS ARE ABOUT TO START CHECKING

Federal regulators are planning to more aggressively probe the marketing of financial products for discrimination.

Let's say you're a lender seeking to market a new credit card. You decide to buy ads on MSNBC, a TV network whose viewership is around 70% white and 8% Hispanic (in contrast to the overall U.S. population, which is 59% white and 19% Hispanic). Alternatively, you decide to use an audience builder that results in the targeting of disproportionately middle-aged consumers to the exclusion of those above the age of 62.

Source Link: <https://www.forbes.com/sites/kareemsaleh/2022/12/07/is-your-marketing-biased-financial-regulators-are-about-to-start-checking/?ss=banking-insurance&sh=3d903a1c6b97>



*Customers are becoming used to the bank as an app rather than a building*

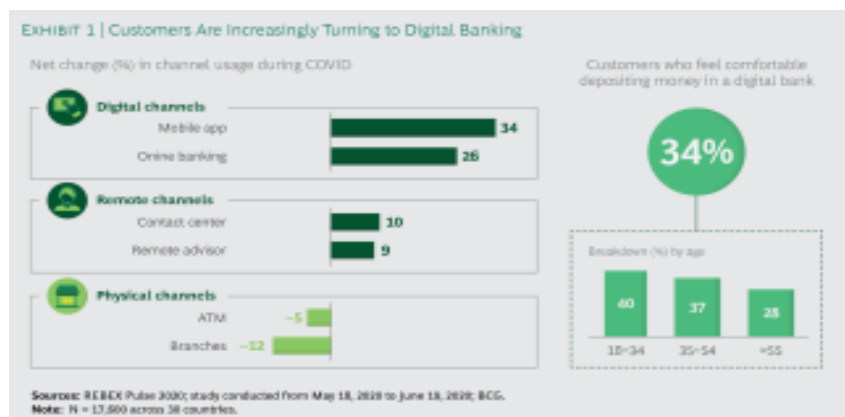
## THE SUN IS SETTING ON TRADITIONAL BANKING

When the COVID-19 pandemic forced banks to shut down much of their face-to-face interactions with clients and step up virtual operations, consumers quickly adapted to digital applications such as mobile banking and customer support through artificial intelligence (AI). These changes have been in the making for the past decade, but the pandemic has accelerated the inevitable: the traditional banking industry is undergoing a seismic shift and will be digitized within the next five to seven years. Advances in technology, big data, and AI are leading customers to change old habits. They're also empowering tech companies and startups to challenge banks on their home turf.

The new wave of digital disruption has made incumbent banks vulnerable. They stand to lose market share to tech firms that have already established themselves as financial services players. Because these disruptors can

afford to compete with lower costs to customers, banks are likely to lose margins as their services become commoditized. If they are to survive, banks must start acting more like digital giants before digital giants—including Amazon, Facebook, and Google—start acting like banks.

Source Link: <https://www.bcg.com/publications/2020/bionic-banking-may-be-the-future-of-banking>





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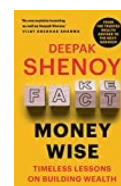
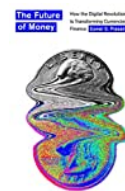
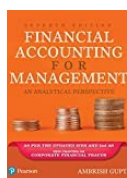
## BOOST LONG-TERM E-COMMERCE GROWTH WITH PAYMENTS

### OPTIMIZATION

Today's retailers have been forced into a tough balancing act. They must deliver a seamless customer experience, accelerate growth, and maintain margins—all while vigilantly guarding against fraud. This situation is forcing trade-offs, with 55% of merchants saying their fraud-prevention approach makes it difficult to prioritize a smooth customer experience. While leaders like Amazon, which is growing at 2.5 to 3.5 times the rate of other retailers, don't have to focus on optimizing, competitors remain pressured to manage this tricky balance.

Consolidation, increasing costs, and diminishing ability to find customers will continue to strain marketing returns on investment (ROI) as the customer acquisition cost rises. While the Covid-fueled boon to e-commerce is still relatively strong, sales are starting to dip.

Source Link: <https://www.bain.com/insights/boost-long-term-e-commerce-growth-with-payments-optimization/>



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