



Fast times call for
fast decisions in
commercial lending

genpact



About this research

Between June and December 2017, we polled 70 executives. Respondents were predominantly senior decision makers from the financial services industry at companies with corporate revenues ranging from under \$250 million to over \$1.5 billion. Here are the results.

The time for transformation is now

Commercial lending and leasing firms rely on fast decisions to succeed in today's digitally connected world. To make quick decisions, these firms and their customers need to be on the same wave length, or have coherent systems and processes across functions. This means they need to fully integrate middle- and back-office operations, and deploy the right digital technology to enable seamless operations.

In 2016, Genpact Research Institute stated that the banking and capital markets industry would spend \$85 billion on digital – but \$57 billion of it would be wasted. So, what is slowing down the digital revolution? While many financial institutions (FIs) feel that investing in digital initiatives is a must, realizing the ROI of these projects remains a challenge. And many FIs, unable to harness the middle and back office to support the front office, fail to tightly align digital interventions to business outcomes.

However, many FIs have begun to acknowledge that to get a significant ROI in digital they have to streamline business processes and embrace an end-to-end transformation. But not everyone has been quick to get on board with the idea. Despite near-constant reminders that change is inevitable and keeping up is imperative, some organizations have yet to get in the game.

A year after the initial research study, we wanted to know how things were working out for commercial lending and leasing organizations. Had they managed to integrate middle- and back-office operations into their commercial lending and leasing processes? How likely were they to embrace end-to-end business process and technology solutions? What challenges did they still face while supporting growth? What technology initiatives were they considering? How were they using solutions such as electronic payments, mobile apps, and artificial intelligence (AI) to improve the customer experience? And did they feel that their current systems and procedures were ready to support a product launch, a geographic expansion – or both?

Between June and December 2017, we asked 70 executives for their thoughts. Respondents were predominantly senior decision makers from the financial services industry at companies with corporate revenues ranging from less than \$250 million to more than \$1.5 billion. Here are the results.

Everyone isn't playing nicely – yet. Only 33% say that commercial lending processes are integrated

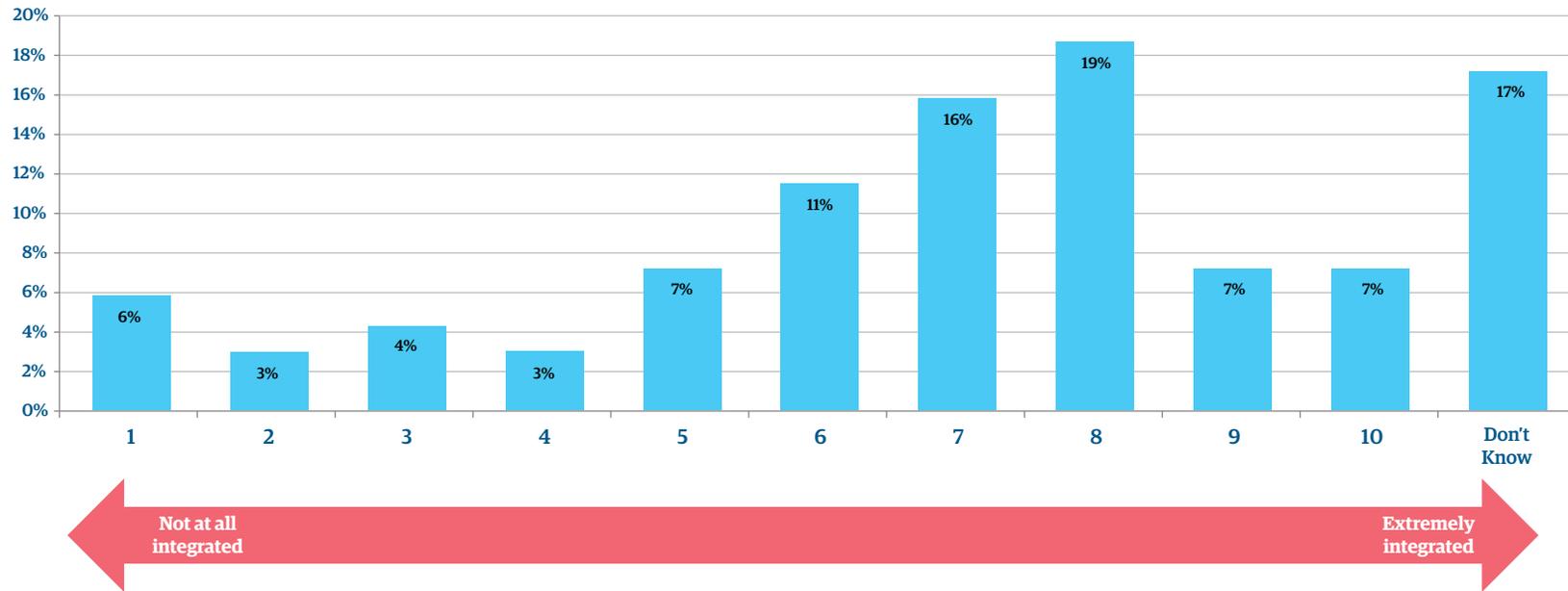


Figure 1: How integrated are middle- and back-office operations to the commercial lending and leasing process in your organization?

When we asked respondents how integrated middle- and back-office operations are with the commercial lending and leasing process in their organization, we got some good news, some bad news, but mostly a lot of so-so news. The good news: 33% say processes are “very” to “extremely” integrated. The bad: 13% admit there is still little or no integration between middle- and back-office operations and the commercial lending and leasing process.

That leaves more than half (54%) somewhere in the middle, and a lot of them simply don't know how integrated they are. Clearly, integrating these critical areas is still a work in progress.

Ready to embrace end-to-end processes and solutions

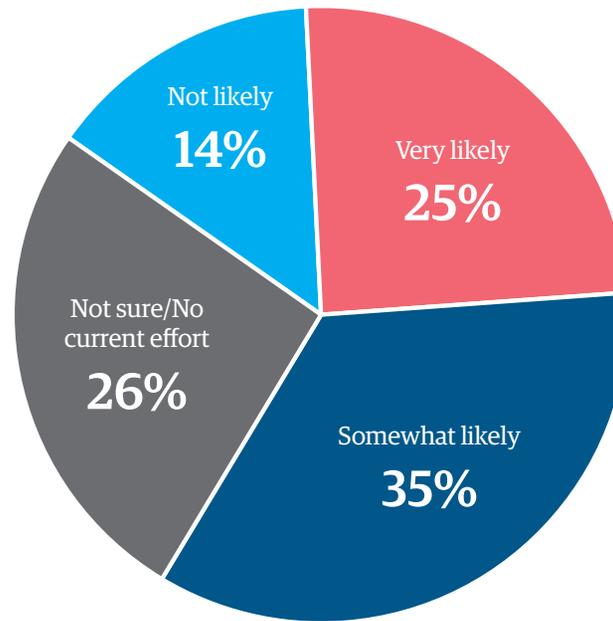


Figure 2: How likely is your organization to embrace an end-to-end business process and technology solution that is compliant, scalable, flexible, outcome-based and responsive?

It's said that a journey of a thousand miles begins with a single step. Sometimes that first tentative step is all a company needs to begin successful transformation. How willing are today's FIs to make that move?

60% percent of those surveyed say their organization would be "somewhat" to "very likely" to embrace an end-to-end business process and digital technology solution that was compliant, scalable, flexible, outcome-based, and responsive – or, in other words, perfect.

Only 14% indicate they would be unlikely to welcome such a solution. Another 26% either aren't sure or say that their company isn't making any effort in this area at the moment.

So, the willingness to transform appears genuine – or at least the willingness to be willing. It seems these organizations need convincing to take that first step.

Manual workflows are the number-one challenge

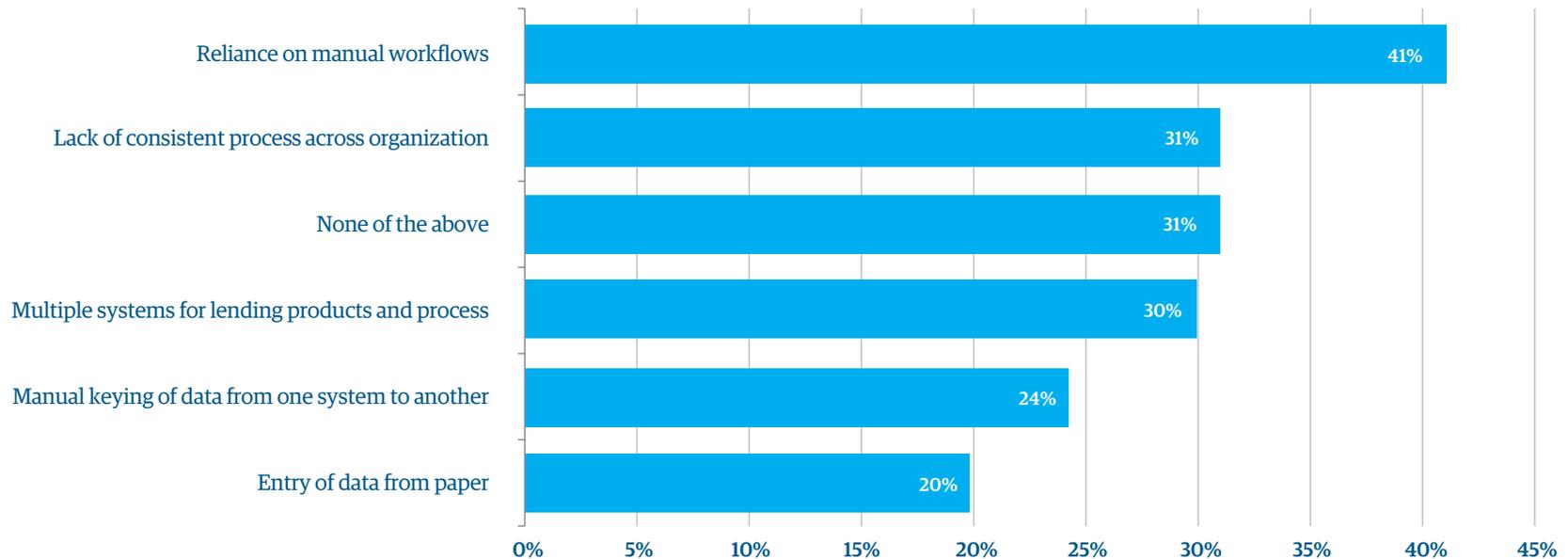


Figure 3: Which of the following are significant challenges to your organization's efforts to support growth in commercial lending and leasing?

It's always easier to talk about problems than to posit solutions. That became clear when we asked respondents to identify the key challenges their companies face in their efforts to support growth in commercial lending and leasing. Most participants were quick to name the major issues.

Manual workflow leads the pack. 41% of respondents say it is the number-one challenge to growth. Coming in second and third are processes across the organization (31%) and multiple systems for lending products and processes

(30%), respectively. Data entered manually that moves between different systems is an issue for 24% of those surveyed. And even though a relatively low 20% of respondents say their companies still enter data from paper records, the fact that any firm would still be doing so today is a sign of how deeply embedded this challenge is.

Now, let's take a look at some of the more positive news.

A work in progress – 80% have digital initiatives in place or have plans

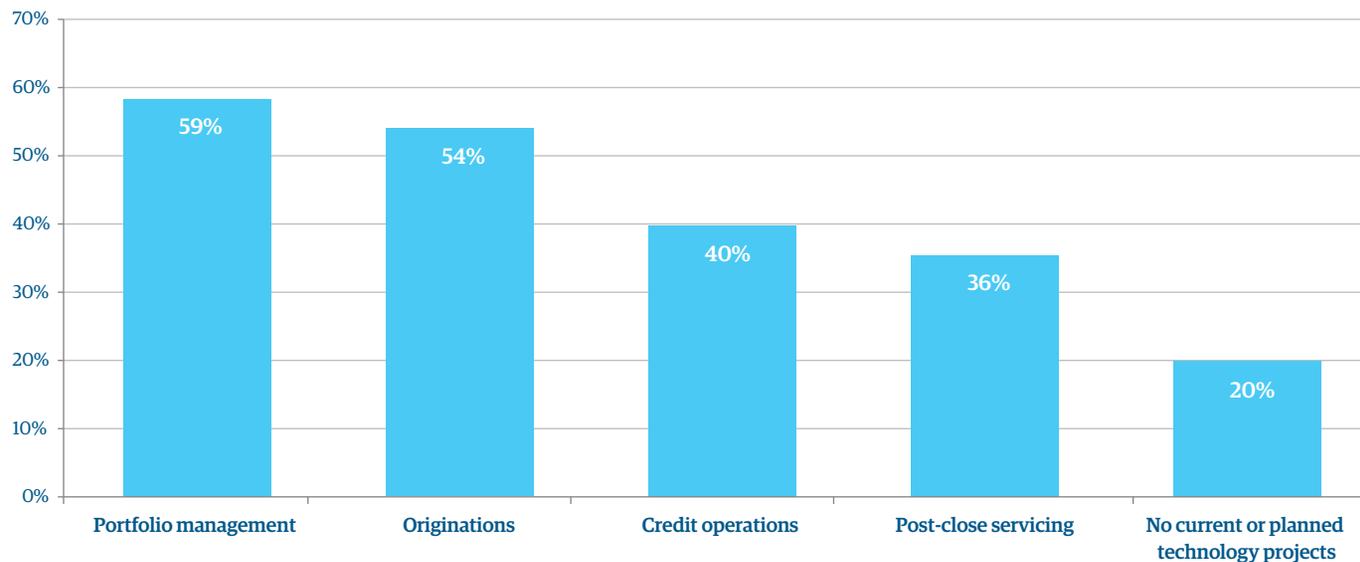


Figure 4: Does your organization have technology initiatives to support commercial lending and leasing in any of the following areas?

FIs aren't resting on their laurels waiting for the next big thing, as our survey clearly shows. The majority of respondents are already working on digital technology initiatives to support their commercial lending and leasing programs. 59% are focusing on portfolio management, with 54% working on new initiatives in their originations business. 40% percent are fine-tuning their credit operations, while 36% are addressing post-close servicing.

However, 20% of respondents have no current or planned technology projects at all. That's a risky position to take in the competitive, fast-moving world of financing.

Lenders need faster credit underwriting and agile origination

Stiff competition and changing customer expectations have been keeping lending firms on their toes. Given that most firms are working on several "run the business" and "change the business" initiatives, it comes as no surprise that 62% of respondents say that speeding up credit underwriting decisions is the most desired improvement. For another 57%, improving portfolio quality is a top priority.

	Strongly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Strongly Agree	N/A
Reducing time to decision is a top priority	4%	7%	13%	26%	36%	13%
Improving portfolio quality is a top priority	1%	4%	23%	26%	31%	13%
We consider both traditional financial collateral and non traditional data sources to make credit decisions	1%	13%	17%	30%	24%	11%
We leverage data to better understand customer needs	1%	6%	21%	33%	23%	14%
Reducing costs is a top priority	3%	19%	26%	21%	16%	13%
Delinquency is a concern	3%	10%	23%	29%	16%	16%

Figure 5: Top priorities for credit underwriting functions

In support of originations, more than half of respondents say that enhancing technology (54%) and adopting a more agile operating model (51%) are the two most important initiatives.

To improve customer experience, an electronic payments portal (70%) is the number-one area of focus, followed by mobile solutions (65%), and electronic messaging and/or chat capabilities (61%). 50% of respondents also indicated that they're working on a digitized collections process, while just 40% are focusing on AI and robotics.

Ready, set, grow!

Lending firms looking to take advantage of growing demand and stay ahead of competition must transform their lending business. To do so they need advanced digital technology. Digital can help firms speed up time to decision, reimagine customer experience, reduce risk, and improve compliance for real business impact.

Today, customers are digitally connected – and it's vital that FIs pay attention. As consumer needs evolve, it will be interesting to see how digital technology may leave behind those reluctant to embrace it.

About Genpact

Genpact (NYSE: G) is a global professional services firm that makes business transformation real. We drive digital-led innovation and digitally-enabled intelligent operations for our clients, guided by our experience running thousands of processes for hundreds of Global Fortune 500 companies. We think with design, dream in digital, and solve problems with data and analytics. We obsess over operations and focus on the details - all 78,000+ of us. From New York to New Delhi and more than 20 countries in between, Genpact has the end-to-end expertise to connect every dot, reimagine every process, and reinvent companies' ways of working. We know that rethinking each step from start to finish will create better business outcomes. Whatever it is, we'll be there with you - putting data and digital to work to create bold, lasting results - because transformation happens here, at Genpact.com.

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