Digital India: a New Dawn for Treasury Management
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As well as being technical experts and strategic business partners, today’s treasurers must also keep up to speed with digital innovation. This means not only understanding the role of digitisation in building a next-generation treasury function, but also recognising the importance of digital disruption in helping the wider business to grow and prosper.

With so much ‘noise’ around digital innovation, it can be difficult to filter out the trends and initiatives that truly matter. To help treasurers in India do just that, HSBC’s Global Liquidity and Cash Management business held a Digital Innovation and Transformation Forum, April 2018 in Mumbai. The Forum attracted over 100 corporate attendees and was hosted by Lance Kawaguchi, Managing Director, Global Head – Corporates, Global Liquidity and Cash Management, HSBC.

Supporting widespread digital adoption

Opening the Forum with an overview of India’s digital journey to date, Kawaguchi explained how the country is well on its way to becoming a digitally-empowered society and economy. He outlined some of the key milestones achieved since the launch of the government’s Digital India initiative in 2015, including the introduction of Umang, a unified platform that supports e-government activities, and the Smart Cities project aimed at delivering more sophisticated urban infrastructure and services.

He noted that, “While one might think that digital innovation projects such as this are happening purely at a macro level, in fact, they are taking hold at a grassroots level too, ensuring all citizens have access to a single ID for government and banking services, improving digital literacy and making internet accessible for millions of rural households.”

Inevitably, this kind of systemic change is leading to new consumer and business expectations. To support these, HSBC has invested in its digital capabilities in the country. “We’ve leveraged digital technology in the area of biometric data, making it easier for you to initiate activity on our e-banking platforms while enhancing security through touch ID, voice recognition and most recently, facial recognition,” he said.

“Furthermore, we were one of the first banks to launch the Unified Payments Interface (UPI), allowing corporates and financial institutions digital access to the massive consumer-to- business (C2B) market. We were also among the first banks to go live with e-mandates for direct debits and electronic support for Goods and Services Tax (GST) Payments,” he explained.

Kawaguchi then took a moment to address the elephant in the room: fintech. “It’s been said before, but we truly aim to see these industry disrupters as partners, rather than threats,” he reassured the audience – citing the bank’s partnership with TradeShift, a fintech focused on digitising the invoicing and supply chain process for corporates, as evidence of this. Collaboration is the order of the day, he said, since there is no value in corporates having to ‘choose sides’ between banks and fintechs. “HSBC will continue to focus and invest in these types of partnerships going forward; to keep pace with the changing market and to best support our clients,” he noted.

Navigating the new digital landscape

Following Kawaguchi’s opening address, Pranay Mehrotra, Senior Partner, Boston Consulting Group, took to the stage to discuss how business and bank interactions are changing as a result of the evolving digital ecosystem. He began by addressing the global themes of Industry 4.0 and the digitisation of supply chains, moving on to the potential of blockchain and robotics to enhance manufacturing and deliver a better customer experience.

Homing in on the corporate treasury sphere, Mehrotra also spoke about the role of banks in providing corporates with cutting-edge digital solutions. He called out the growing advisory role of banks, such as helping treasury to better understand how to optimise the supply chain and improve working capital metrics, through the use of technology. Data analytics would also be a key area where banks and corporates could collaborate more closely in the future, he said.

Providing a counterbalance to these digital opportunities, Mehrotra also underlined one of the well-documented...
drawbacks of digitisation: cybercrime. He urged treasurers in India to pay closer attention to cyber threats as digital innovation continues, and to engage with their banks around cybercrime prevention.

Adding value through digital innovation

Next, four industry experts took to the stage to discuss the power of digital innovation in enabling business transformation; how digitisation allows corporates to focus more on strategic goals; and embracing digitisation within the treasury department.

Kicking off the session, Divyesh Dalal, India Head, Global Liquidity and Cash Management, HSBC, explained how forward-thinking corporates in India are quickly adapting their business models to better leverage digital innovation and revamping customer experiences to meet new demands arising from the growth of electronic transactions.

Rahul Tayal, Director Strategic Business and Marketing, Digital and E-commerce, LG Electronics India Pvt. Ltd, agreed, saying that: “Updating and even reinventing our business model to leverage the power of digitisation is a top priority at LG. As a consumer electronics giant, our aim is to know our customers as well as we possibly can - in order to drive sales through one-to-one targeted promotions. The best way for us to do that right now is to further embrace digital innovation.”

He then explained that, “Unlike traditional marketing, digital marketing provides a platform to focus on a specific target audience. Moreover, campaigns are designed on the basis of consumer habits and preferences. Already, over 400 million consumers in India are connected to the internet. The country is also home to 300 million smartphone users, each spending an average of four hours a day using apps. There is therefore a tremendous potential to target a particular audience; digital media is evolving and new trends are emerging.”

Likewise, SBI Mutual Fund has embraced digital innovation to better respond to customer needs, explained Srinivas Jain, Executive Director and Chief Marketing Officer at the company. “The back end of our business has been digital for some time, but the front end has traditionally been paper-based. We wanted a better way to serve our 6,000 odd institutional clients. So, in 2016, we set up a digital platform for our institutional investors. We have also embraced virtual accounts, to help ensure the appropriate allocation of client funds, in a more automated way,” he said.

For SBI Mutual Fund itself, the value of these digital solutions stretches beyond automation to real-time investor insights. “The data from the platform enables our institutional sales team to proactively reach out to customers with suggestions for switching between funds to achieve a better rate, for example. We’re also experimenting with leveraging the platform data to create reports on behalf of our clients: not just performance reports, but opportunity reports too, flagging interesting investment options for the treasurer,” he added.

Picking up on some of the points raised by Jain, Nikhil Sohoni, Senior Vice President – Finance and Group Treasury, Mahindra & Mahindra admitted that “many treasurers still like to send faxes in connection with their investments, including instructions to move monies between investment funds”. But seeing this as “a hugely inefficient process” the company decided to swap to a digital solution: the SWIFT India platform.

“We are the first (and currently still the only) company in India to sign up to this payment platform and we are already seeing significant efficiency benefits. Today, before coming to this event, I invested large sums in just four clicks. That’s the beauty of digitisation. No faxes, no reconciliations and no waiting for confirmations. It is seamless,” he explained.

In addition, Mahindra & Mahindra is looking into the possibilities of technologies such as blockchain and artificial intelligence (AI), he said. “For treasury, this kind of digital innovation offers significant efficiency gains as well as strategic wins. Nevertheless, it’s important to realise that digitisation is an evolving trend, and what’s possible now is actually just the tip of the iceberg.”

Gaining a strategic edge

Moving on, the panel then discussed the extent to which embracing digital innovation allows businesses – as well as treasury functions – to be more strategic. Here, Dalal shared some insights from his interactions with corporates, saying that: “Technology is one of the biggest strategic enablers for businesses in India today – and that ‘instant’ business is a trend companies can no longer ignore. Not only can businesses leverage these market shifts to speed up collections, but they can also turn them into strategic marketing and sales tools, as well as competitive bargaining chips.”

To Dalal’s point, Sohoni then explained how Mahindra Rural Housing has garnered strategic advantages by moving customers away from cash towards digital payments. “For treasury, the benefits of speeding up collections have been enormous. We can now be much more accurate with our

Boston Consulting Group
The Boston Consulting Group (BCG) is an American worldwide management consulting firm with 90 offices in 50 countries. The firm advises clients in the private, public, and not-for-profit sectors around the world, including more than two-thirds of the Fortune 500 and is one of the ‘Big Three’ strategy consulting firms (MBB).

LG Electronics India Pvt. Ltd.
Manufactures and sells consumer electronics, home appliances, computer products, and mobile phones in India.

SBI Mutual Funds
With 30 years of rich experience in fund management, we at SBI Funds Management Pvt. Ltd. bring forward our expertise by consistently delivering value to our investors. We have a strong and proud lineage that traces back to the State Bank of India (SBI) - India’s largest bank. We are a Joint Venture between SBI and AMUNDI (France), one of the world’s leading fund management companies.
cash forecasting and more strategic with investing any excess cash,” he noted.

In order to see the maximum possible operational and strategic benefits from this move away from cash, Sohoni said the company had, “Encouraged customers to move to automated clearing house (ACH) payments by offering 2% cash back. The incentive is starting to kick in and 10-15% of our rural customers are now already on the ACH platform.”

Tayal was equally bullish on the potential for digital innovation to unlock strategic gains, saying simply that: “Digital innovation is helping us to be more strategic about the customers we target and the offers we send them. Blanket marketing is a thing of the past; strategic partnerships fuelled by shared data are the future.”

Meanwhile, Jain explained that, in his view, “The best way to free up resources and enable the business to become more strategic is to build a friction-free environment for customers, especially on the retail side. A good example of this is electronic Know Your Customer (eKYC) solutions. By committing to using eKYC in our consumer business, we have onboarded more customers than any other large asset manager in India.”

Redefining digital disruption

The panel’s final topic for discussion was digital disruption, and the inherent threats and opportunities. Dalal led the debate, stating that, “There are a number of misconceptions around ‘digital disruption’ which often lead to the concept being perceived as negative. But digitisation doesn’t mean that everything must be done through digital channels – and that tried and tested means of working have to be abandoned.”

There are benefits of combining the physical and digital worlds and essentially augmenting existing processes with digital elements, he said. “So, don’t be fooled into thinking that embracing digital innovation or disruption has to mean a complete overhaul – it could simply be an upgrade of systems and processes, enabling companies and consumers to have the best of both worlds.”

Jain, meanwhile, explained how he believed the concept of disruption was closely linked to fintechs. “We have built a business-to-consumer (B2C) architecture, called Invest Stack, that rivals our offering in the business-to-business (B2B) space, and makes use of application programming interface (API) technology. Fintechs can simply pick up these APIs and integrate them into their platforms - and then start selling mutual funds,” he said.

“This platform came about as a direct result of fintechs entering the asset management industry and shaking up the way we do business – which was arguably ripe for change,” he continued. “They are bringing a totally new dimension to investing, with solutions such as robo advice. And traditional asset managers have to adapt to survive.”

For Sohoni, however, digital disruption means a different way of working between corporates and banks. He believes, “We will see more corporates joining collaborative projects and effectively leading the way around technological change. One area where treasurers would no doubt be keen to work together with banks and fintechs to solve an industry issue is KYC,” he said.

Sohoni went on to explain that with each bank requiring different documentation, as well as multiple physical copies of those documents, KYC is currently “a huge headache for everyone. But blockchain could potentially revolutionise the KYC process, meaning that corporates would only need to upload one set of documentation, and then simply grant permission to each of its banks to access it.”

With such a solution, KYC processes could be completed in minutes, not days, weeks, or even months, he said. “However, treasurers need to take that leadership role and push banks to look towards disruptive technologies like blockchain in order to build a better future for the industry.”

Tayal concluded the session, saying that “meaningful collaboration and a large dose of courage will be required for organisations to fully benefit from digital disruption and innovation. If businesses fail to embrace a collaborative mindset or treat it as a box-ticking exercise, they will fall foul of disruption,” he predicted.

“Certainly, adopting new technologies is risky; but it is far better to make mistakes along your digitisation journey, or in your digital collaborations, than to let fear prevent you from getting started. As the rise of the Chinese economy, and ecommerce giants like Alibaba, have shown us, digital innovation is the new world order – and the biggest mistake companies can make is failing to fully recognise this,” he advised.

Mahindra and Mahindra Limited (M&M) is an Indian multinational car manufacturing corporation headquartered in Mumbai, Maharashtra, India. It is one of the largest vehicle manufacturers by production in India and the largest manufacturer of tractors in the world. It is a part of the Mahindra Group, an Indian conglomerate.

Indian Software Products Industry Round Table (iSPIRT), is a think tank for the Indian software products industry. Its helps companies with Policy- converting ideas into policy proposals to take to government stakeholders, Playbooksconverting conversations into playbooks for product entrepreneurs, and Market Catalysts- converting actions of self-help communities into market catalysts for the Software Product Industry.

National Payments Corporation of India (NPCI), an umbrella organisation for operating retail payments and settlement systems in India, is an initiative of Reserve Bank of India (RBI) and Indian Banks’ Association (IBA) under the provisions of the Payment and Settlement Systems Act, 2007, for creating a robust Payment & Settlement Infrastructure in India.
Turning physical negatives into digital positives

Next, Nakul Saxena, Industry Policy Advocacy Fellow at the iSPIRT Foundation, gave an insightful presentation looking at India Stack – a set of APIs that allows governments, businesses, startups and developers to utilise an unique digital infrastructure to move India’s economy towards a presence-less, paperless, and cashless service delivery model. The open API team at the iSPIRT Foundation is a pro-bono partner in the development, evolution, and evangelisation of these APIs, he explained.

After outlining how India Stack works, Saxena delved into the benefits, which include bringing millions of Indians into the formal economy by reducing friction in traditional banking channels. He spoke extensively about the role of UPI in achieving this. He described how India Stack also stands to revolutionise government services, moving them into a more transparent, accountable and secure environment, through solutions such as DigiLocker.

Indian citizens who sign up for a DigiLocker account receive a dedicated cloud storage space that is linked to their Aadhaar (UIDAI) number. Meanwhile, organisations that are registered with DigiLocker have the ability to push electronic copies of documents and certificates, such as driving licences, directly into citizens’ lockers, he explained.

Much to the interest of the audience, Saxena also outlined how India Stack could reduce arduous KYC processes down to circa two minutes, thanks to a paperless process whereby a person’s identity and address are verified electronically through Aadhaar Authentication.

Saxena wrapped up by saying that transactions that once would have been written off as science fiction are now becoming a reality in India, thanks to API technology.

Digital payments innovation

The final presentation came from Diip Asbe, CEO, National Payments Corporation of India (NPCI). He began by recapping the role of the NPCI in aiming to transform India into a society no longer dependent on cash. “This does not mean ‘cashless’, but a society that uses less cash – there is an important difference,” he noted.

Asbe then highlighted some of the key milestones that the not-for-profit organisation has achieved since its inception eight years ago. He spoke about flagship initiatives such as the Immediate Payment Service (IMPS), the National Automated Clearing House (NACH), and UPI – which is seen as one of the most revolutionary payments products in India.

He also mentioned the significant progress being made through schemes such as RuPay Credit Card (with contactless capabilities in the pipeline), the National Electronic Toll Collection (NETC) and the successful pilot of the Bharat Bill Payment System (BBPS). “We have now taken BBPS into live mode, and five bill payment categories are allowed,” he added.

“Although the solution is relatively new, we have already seen between four and five million transactions processed via BBPS. Over the next 24 months, we expect transaction volumes to increase enormously, driven by the government’s desire to move towards an electronic model, together with the growing interoperability and accessibility of bank networks,” he predicted.

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Despite the progress made to date, Asbe was realistic about the fact that a critical mass has not yet been reached in terms of on-boarding Indian citizens to digital channels. To help achieve this, NPCI will continue “firing on all cylinders” and focus on continuous improvement of its solutions to make them even easier for citizens to use – and more compelling from a value proposition perspective. “As an example, we are in the process of launching UPI 2.0 (yet to be approved by the regulator) which will enable mandates and invoices to be carried along with the transaction. We believe this will be a useful functionality which will spur even greater interest in UPI,” he said.

Asbe then opened up the floor to questions from the audience. Concerns from corporates included real-time confirmations for UPI transactions, increasing the Rs. 1 lakh daily limit on UPI payments, and recourse on ACH returns. On all counts, Asbe confirmed that NPCI is working to iron out any creases, and invited individual corporates experiencing issues with particular banks, or with ideas for improving current set-ups, to get in touch with the NPCI. “After all, a collaborative approach to developing our solutions is critical to moving towards our vision to be the best payments network globally,” he concluded.

Furthering the digital cause

This presentation brought the Forum to a close, but discussion of the topics did not stop there, with lively debate carrying on over a networking dinner. And, of course, HSBC’s Global Liquidity and Cash Management business will continue the conversation going forward, drawing corporates’ attention to important digital trends and opportunities, as well as investing in the most relevant digital innovations to enhance the overall client experience.