

New Study Reveals Banks Struggle to Achieve Priorities, Meet Customer Expectations Hampered by Technology Modernization Challenges and Lack of Industry Standards

- New global study reflects responses from over 1,000 senior banking leaders and more than 12,000 consumers regarding their priorities and identifies significant disconnects**
- 70% of banking executives indicate that embedded finance is either core or complementary to their business strategy, yet only 20% currently offer embedded finance solutions**
- Ecosystem privacy and security challenges cited as top two barriers to innovation**



ARMONK, N.Y. and FRANKFURT, Germany, Sept. 14, 2023 [/PRNewswire/](#) -- The IBM (NYSE: [IBM](#)) Institute for Business Value (IBV), in collaboration with the Banking Industry Architecture Network (BIAN) and Red Hat, today released findings from a new global study that reveals significant gaps between the stated priorities of surveyed banking executives and the customers they serve. The research examines how customers engage with the digital world and how banks invest in embedded finance to become part of the financial journey consumers experience on their platforms of choice.

Embedded Finance: Creating the Everywhere, Everyday Bank details findings from the responses of over 1,000 banking industry leaders and more than 12,000 consumers across five continents.

Embedded finance is the integration of financial products and solutions within the customer journey of non-financial services organizations in ways that help eliminate friction, and consequently, enrich the customer experience. Over 70% of the industry executives surveyed indicate that embedded finance is either core or complementary to their business strategies. Yet only 20% said they currently offer embedded finance solutions.

"Banks are facing a double whammy of challenges with pressure coming from non-traditional competitors such as the big techfins that have set new standards for customer expectations and are eager to deepen those relationships and from regulators pushing for open banking standards to level the playing field and drive more

competition," said Shanker Ramamurthy, Global Managing Partner Banking & Financial Markets, IBM Consulting. "Establishing a modern hybrid cloud architecture that enables easy access to data across the enterprise, the ability to leverage the potential of emerging technologies such as generative AI, and participation in a robust ecosystem of partners is paramount to a successful banking strategy in today's industry."

While 80% of all consumers surveyed currently prefer to deposit their salary and keep their savings in traditional banks, 16% of respondents globally are already comfortable embracing the full digital experience with branchless institutions. Many consumers are seeking a higher level of engagement from their financial institutions with 79% of younger respondents being open to receiving insights on their better ways to save and 75% being open to guidance on investing.

Both banking leaders and consumers cited security as their most important priorities but banking leaders overestimated the importance of peer-to-peer payments and buy now pay later (BNPL) compared to priorities cited by consumers who designated good customer experience as their second highest preference, followed by mobile wallet functionality and rewards respectively.

Based on the study, gaps in technology infrastructure modernization, lack of application programming interface (API) standards and the portion of resources devoted to privacy and security are slowing progress toward realizing the business opportunities associated with embedded finance platforms and stand to impede the potential of exponential technologies, such as generative AI.

"It has never been more critical for banks to focus on how financial institutions can increase their competitive edge and improve the experience they provide their customers. The findings from the research show just how much work banks have to do before they can achieve this," said Hans Tesselaar, Executive Director, BIAN. "We know from the work we're doing with our members, however, that before they implement real changes to their service offerings, they must first overcome the obstacles caused by a lack of technical standards and adopt a coreless banking approach to transformation. This will help the industry benefit from each and every technological development to create the bank of the future."

The full report is available to download [here](#).

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About BIAN

Established in 2008, the Banking Industry Architecture Network (BIAN) is an independent, member-owned, not-for-profit association, designed to build and promote a common architectural framework for banking interoperability issues. BIAN™'s goal is to define operability and "ready to use" definitions for IT services in the banking industry.

The community of over 80 members focuses on creating a standard banking services landscape while ensuring consistent service definitions, levels of detail and boundaries. This will help banks to achieve a reduction of integration costs and take advantage of a micro services architecture.

Financial institutions, software vendors, consultancies and system integrators, along with technology partners, are invited to join the association and play a collaborative role with other industry leaders in defining, building and implementing next-generation banking platforms.

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