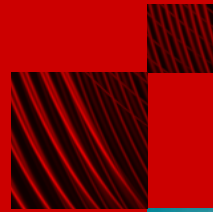Key change

Spotlight on
India

Introduction

India is embracing the digital age with the determination of an economic superpower. Its long-established software industry has seen an explosion in growth as it exploits new and emerging technologies such as AI, quantum and automation. The IT sector now accounts for 9% of the country's GDP and is growing at almost twice the rate of the broader economy.[1]
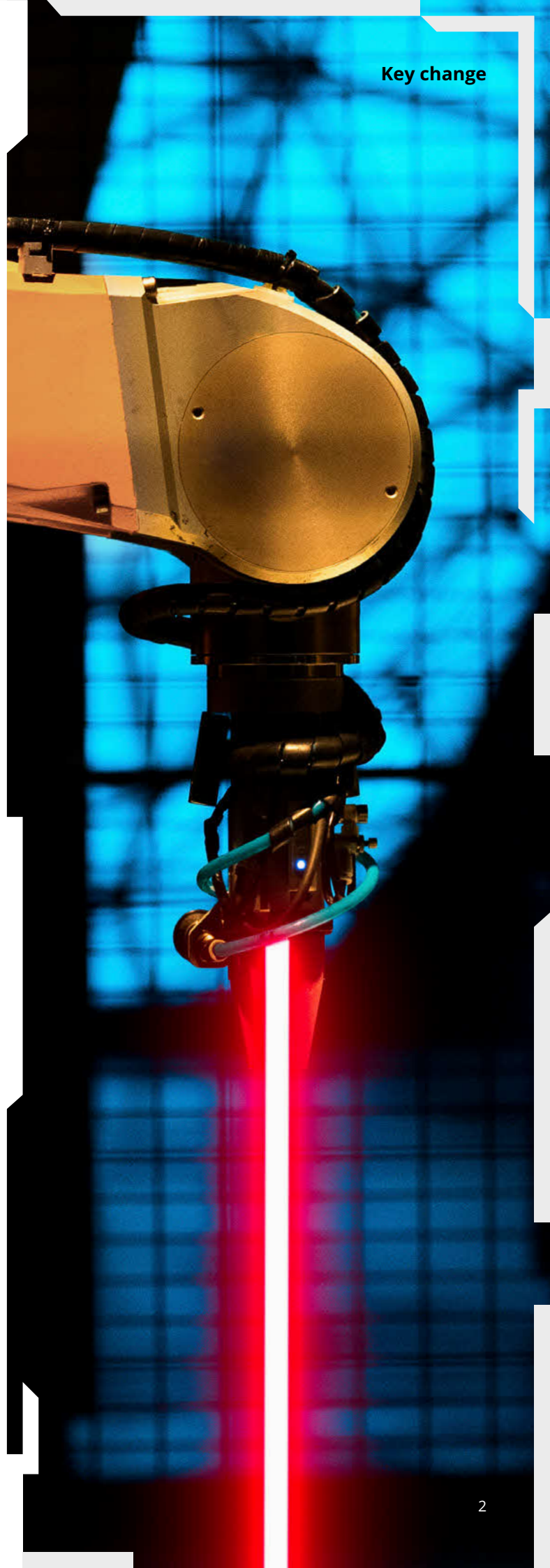
India's burgeoning technological strength is being driven by strong government investment, increasing broadband penetration, low data tariffs and internet users numbering 700 million – more than double the entire US population.[2] This figure is expected to reach 900 million by 2025, making India one of the world's fastest-growing markets for digital consumers.[3]

But what does this digital innovation mean for India's businesses? How are they approaching transformation in today's operating environment? New research by DBS, which surveyed 100 senior executives in the subcontinent, sheds light on their ambitions, successes and lingering concerns.

1   https://timesofindia.indiatimes.com/business/india-business/indian-it-sector-grow-ing-at-almost-twice-the-rate-of-eco/articleshow/89602308.cms

2   https://economictimes.indiatimes.com/small-biz/security-tech/technology/how-and-why-digital-transformation-is-sweeping-across-indian-industries/article-show/95779610.cms

3   https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/digital-in-dia-technology-to-transform-a-connected-nation

Priorities
for transformation

India's drive for digitalisation is embodied by the government's Digital India programme.[4] A key part of its mission is a digital ID programme, Aadhaar, that covers 99% of the population, making it the world's largest biometric ID system.[5] Aadhaar is allowing millions more Indians to participate in economic life, and is supported by internet connectivity quickly spreading to rural regions.[6]

To capitalise on this progress, businesses need to be agile and focused on the needs of the customer, and for Indian businesses in DBS's research the most important goals of digital transformation are boosting efficiency and enriching customer experience (40% of respondents for each). This is followed by improving collaboration across functions and teams (33%).

Indian businesses believe that the cultural elements that most support digital transformation are collaboration across functions (47%) and diversity in transformation teams (38%).

Goals: Efficiency and customer experience are the top objectives for transformation

Increasing efficiency (e.g. through automation)
40%

Improving customer experience
40%

Improving collaboration across functions and teams
33%

Supply chain optimisation
30%

Acquiring new customer relationships
23%

Making the business more competitive
23%

Creating growth through new products, services and business models
23%

Corporate culture: Collaboration across functions supports digital success

Collaboration across functions
47%

Diversity of opinion and background in transformation teams
38%

Ability to take decisions quickly
35%

Shared adoption of a strategic vision
31%

Delegation and empowerment of teams
30%

4   https://blog.mygov.in/editorial/the-digital-india-transformation/

5   https://insights.som.yale.edu/insights/what-happens-when-billion-identities-are-digi-tized#:~:text=Today%2C%20more%20than%201.2%20billion,%2C%2012%2Ddigit%20identification%20number.

6   https://economictimes.indiatimes.com/tech/technology/rural-india-is-driving-inter-net-adoption-survey-finds/articleshow/93186625.cms?from=mdr
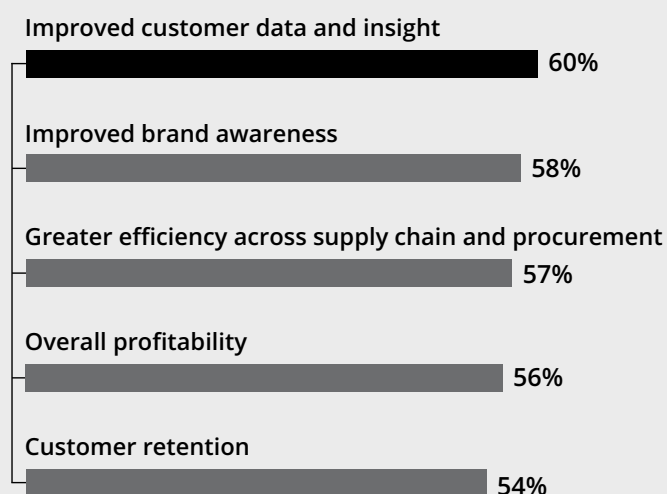
Transformation
leaders in India

The research by DBS identifies a select group of 'transformation leaders' that consistently outperform the global average when it comes to digitalising their customer engagement. These companies are not just pursuing strategic or radical transformation plans – they are also carrying them out extremely well.

We also define a 'developing leaders' category of businesses that are excluded from the leader group because they are performing only 'somewhat' effectively rather than 'highly' effectively. We also identify 'transformation laggards' at the other end of the scale: these businesses are pursuing ad-hoc transformation and are doing it poorly.
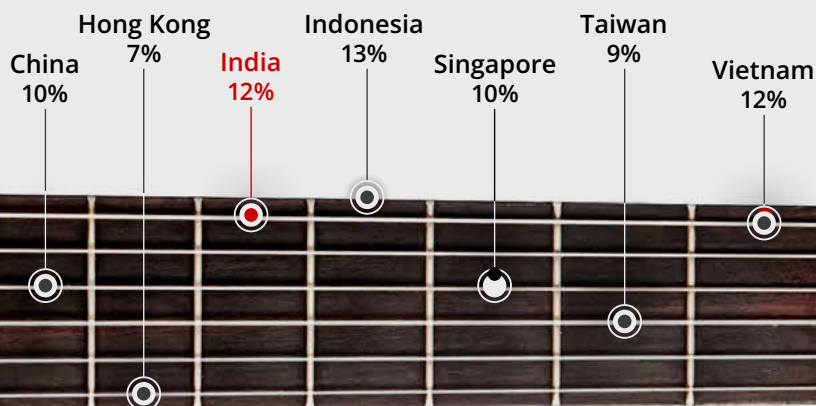
In India, 12% of respondents are transformation leaders, which gives it the second highest proportion of leaders among Asian respondents, alongside Vietnam. A further 30% of Indian businesses are in the developing leaders group, so the country's

overall proportion of transformation leaders may grow as its digital economy does. Today, however, India's transformation leaders are outnumbered by the laggards: 14% of Indian respondents are in this category.

Successes: Digital has boosted customer insight

Improved customer data and insight
60%

Improved brand awareness
58%

Greater efficiency across supply chain and procurement
57%

Overall profitability
56%

Customer retention
54%

In India, 12% of respondents are transformation leaders

China
10%

Hong Kong
7%

India
12%

Indonesia
13%

Singapore
10%

Taiwan
9%

Vietnam
12%

Strategic challenges
to overcome

Although India's digital transformation is accelerating, it is hampered by the unequal adoption of technology across society. Indian women, for instance, constitute only a third of internet users and are 33% less likely than men to use mobile internet services. And despite an increase in rural broadband penetration, only 31% of the rural population use the internet, compared with 67% of the urban population.[7]

Lack of internet access may be reflected in some of the challenges identified by the research. Asked what is holding back their digital transformation activity, Indian businesses were most likely to highlight talent gaps in the workforce (for example in technology or change management skills). Nearly half (47%) say that this is preventing them from transforming faster. This could be a particular issue for businesses in areas with less developed internet coverage.
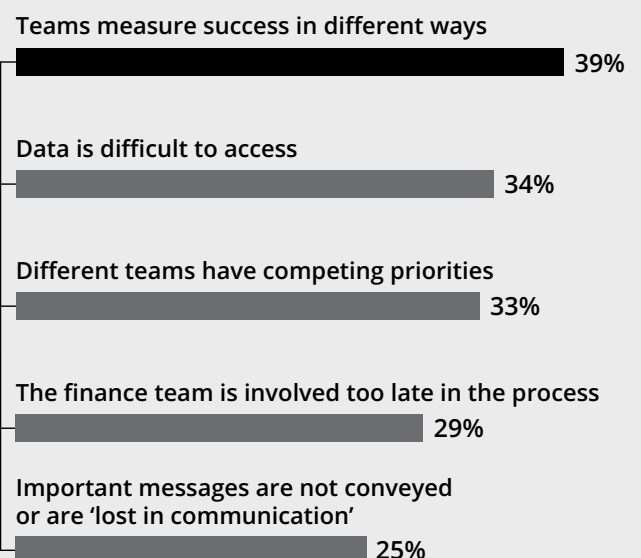
Businesses are also experiencing difficulties in managing data privacy concerns (38%) and data extraction challenges (32%), and these are likely to be exacerbated by the digital divide and inequalities. The research explores the growing role that treasury and finance are playing in enabling change and innovation. Here, we go through some of the transformation and technology trends affecting India's finance and treasury teams.

7.   https://indianexpress.com/article/india/women-constitute-one-third-of-internet-users-in-india-study-8305984/

Change barriers: Gaps in talent are an obstacle to transformation

Gaps in talent
47%

Data privacy concerns
38%

Data extraction challenges
32%

Alienating existing customers
31%

Unclear organisational strategy
27%

Collaboration challenges: Teams differ on how to measure success

Teams measure success in different ways
39%

Data is difficult to access
34%

Different teams have competing priorities
33%

The finance team is involved too late in the process
29%

Important messages are not conveyed or are 'lost in communication'
25%

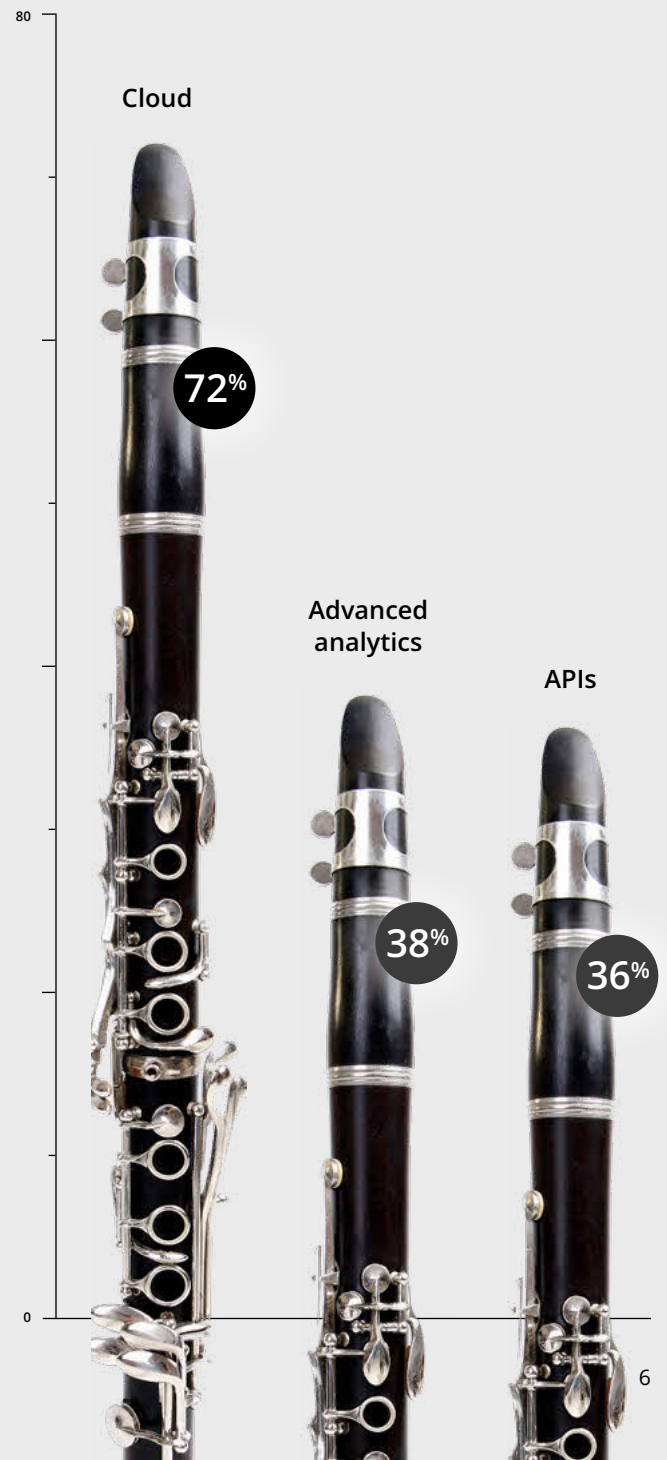# Harmony in the
back office

Overall, Indian businesses see cloud technology as the most important tool to realise their digital transformation within treasury and finance. Our research shows they are more likely than the global average to be prioritising it (72% compared with 67%), which could explain the rapid growth in the Indian cloud services market – expected to be worth $13.5bn by 2026.[8]

Respondents also have confidence in advanced analytics and APIs, with 38% and 36% respectively planning to use these tools to transform treasury and finance.

"At DBS Bank India we have been at the forefront of enabling customers to embrace digitalisation through intelligent banking solutions", says Divyesh Dalal, Managing Director & Head - Global Transaction Services, DBS Bank India. "We are well positioned to lend our expertise around driving digital adoption which can further enable collaboration between finance and commercial teams."
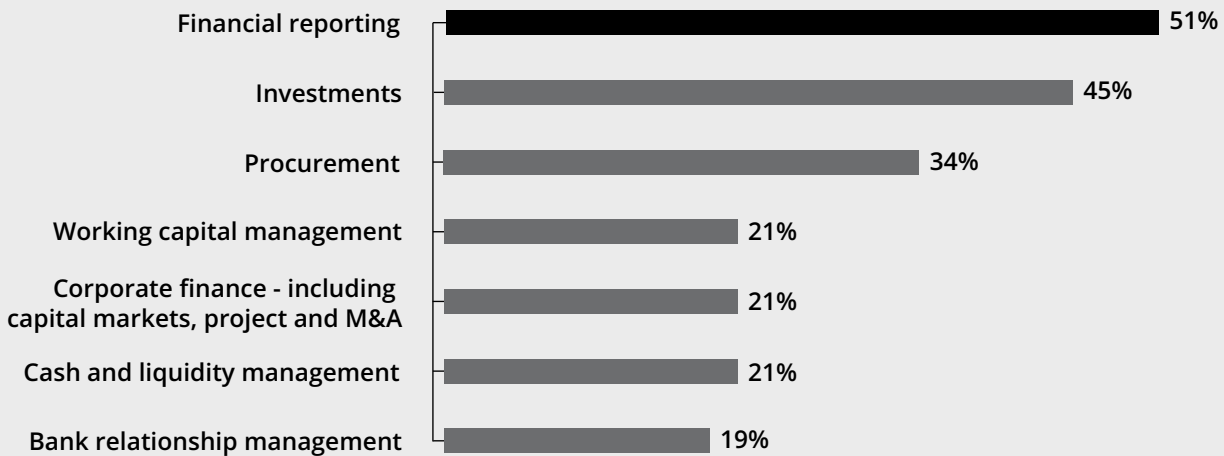
Within treasury, financial reporting is the top activity being prioritised for digitalisation, followed by investments and procurement. Strategic partnerships with external companies are likely to be a big feature of this transformation, and for Indian respondents the most popular types of partnership are with banks (36%) and fintechs (34%).

8   https://www.idc.com/getdoc.jsp?containerId=prAP49157122

Technology: Cloud is the most important tool for treasury and finance

Cloud

72%

Advanced analytics

APIs

38%

36%

6

Treasury transformation: Digitising financial reporting is the priority

Category	Percentage
Financial reporting	51%
Investments	45%
Procurement	34%
Working capital management	21%
Corporate finance - including capital markets, project and M&A	21%
Cash and liquidity management	21%
Bank relationship management	19%

Indian treasurers prefer working with banks on treasury transformation

- 36% Partnering with banks
- 34% Partnering with consultants
- 19% Partnering with fintechs
- 11% Partnering with a combination of the above

Commercial priorities: Commercial teams want to see digitalisation of sales and marketing

Category	Percentage
Sales and marketing	38%
Supply chain/procurement	21%
Finance/treasury	17%
IT/technology	15%
Product development/R&D	8%
HR	2%
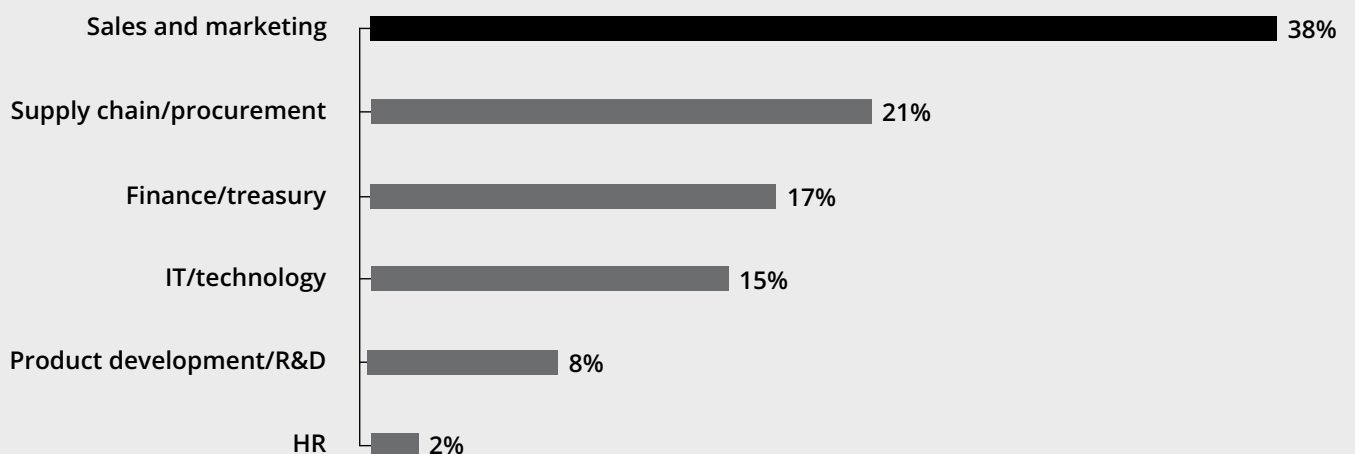
Immediate actions

Our findings give us a snapshot of digital transformation trends in India. At a high level, we recommend that the country's businesses take the following immediate actions:

Develop the talent pipeline

The research shows that Indian businesses value diversity as one of the most important cultural elements of digital transformation, but the unequal spread of digital skills and resources is restricting development. Indian businesses should invest in people from underprivileged backgrounds to encourage untapped talent and ensure that they are experiencing the full benefits of digitalisation.

Improve internal collaboration

Indian businesses see increasing efficiency as the top goal of digital transformation, but before they invest in automation they should seek to close the gaps in their internal processes. Addressing the challenges between finance and commercial teams should be a top priority, starting with differing measurements of success and difficulties of data access.

Form a clear data plan

The research suggests that Indian businesses are experiencing difficulties accessing, extracting and protecting data, which is affecting collaboration and transformation. As a priority, companies should develop clear data guidelines for their teams to ensure that data is used safely and responsibly and is made accessible to everyone who needs it.