

Business Resilience Barometer 2022

A Survey Analysis of **Financial Services**
Organizations





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Overview



We must accept finite disappointment, but we must not lose infinite hope.

– Martin Luther King, Jr.

The quote explains the mood of the respondents from our latest Business Resilience Barometer survey.

The first quarter of this financial year threw a positive surprise, i.e., the economy clocked the real GDP growth rate of 20.1%. The World Bank revised projected GDP growth rate for FY 2022 to 8.3% in June 2021, it is higher than the earlier forecast of 5.4% in January 2021. Both global sovereign rating agencies S&P and Moody's have upgraded the country rating to Stable from Negative. The tax revenue for the government has increased robustly and thus is expected to keep the Fiscal deficit within the budget estimate of 6.9%.

While 9% of the respondents in our last year's survey indicated that disruption would last beyond 12 months, the economy is indeed on a positive trajectory.

The number of new Covid-19 cases at its peak in the second wave had crossed 4,00,000, compared to that the average number of new cases is hovering around 11000 in the month of November, which is just about 3% of the peak. This together with the high level of vaccination has provided comfort to businesses that they can return to the normal earlier than feared before. Some of the companies have asked their employees to start attending the onsite offices.

However, the challenges remain. The Covid-19 threat is still around and the virus is mutating fast with newer versions that are more potent and infectious. The inflationary pressure has started to dampen consumer confidence and may cause a decrease in demand for discretionary goods and services. This may also result in monetary tightening by the central bank impacting credit demand and at least a temporary negative sentiment in the financial markets. The higher commodity prices across the globe are also exacerbating the supply-side constraints and causing worry for the industries dependent on them.

In order to better understand how organizations are focusing on their critical businesses in the rapidly changing scenario, managing risks emanating out of this pandemic together with the safeguards/alternate measures that they are adopting to move on a growth path, we conducted the second edition of Business Resilience Barometer Survey this year. In this report, we present a synopsis of the feedbacks received from the survey and the analysis done by us.

We would like to thank all the clients and acquaintances who have supported us by participating in this survey.

Survey Demography

Our diverse respondents comprise of our existing and prospective clients, industry leaders, board members, C-Suite and other executives, representing key functions from all regions of India and Global companies with an Indian footprint.

Last year our survey was designed on two core pillars, one focusing on the impact of disruption on the business and the second on road-maps & strategies that organizations are looking to adopt to minimize that impact. The basic framework remains the same in this year's survey with some focus on the learning gained by the organizations and how they plan to use these learnings in a changed post-pandemic world. Some of the key elements of the survey include:

- a** The pandemic forced almost all business to move to massive Work from Home programs leading to unique challenges. In this edition, we have tried to understand those challenges and how have they been addressed by diverse types/sizes of organizations.
- b** Organizations also pushed for increased digitalization as brick & mortar businesses were severely crippled. Through this survey, we have also tried to understand which were the focus areas for digitalization and business transformation.

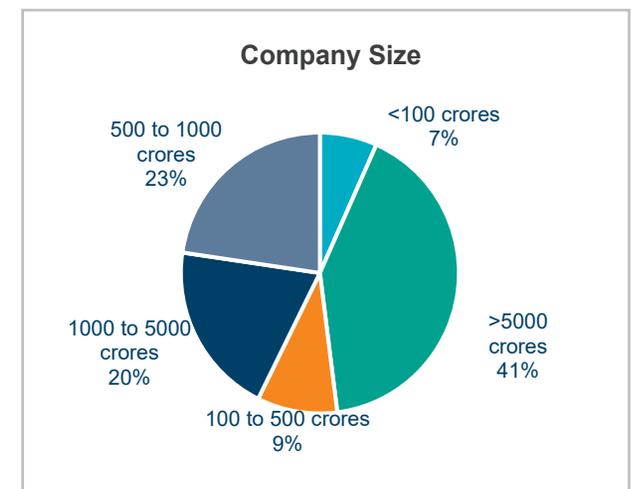
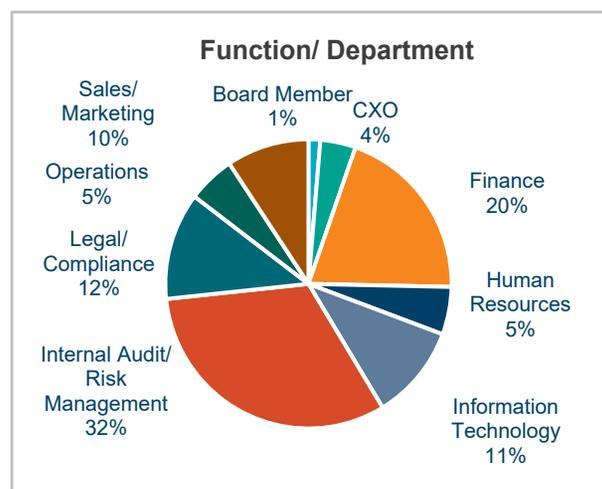
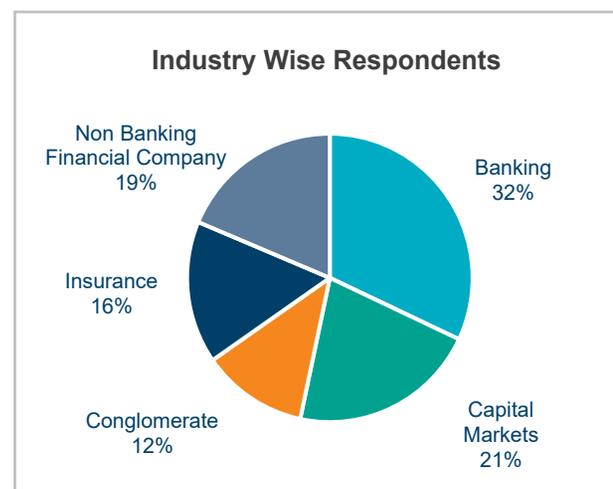
More than 75 people participated in the survey with the following demographics.



41% of the responded companies were listed either directly or through their parent company.



20% of the respondents had private equity investee as their investor.



Executive Summary

The Protiviti Business Resilience Barometer survey outcome has clearly indicated the positive sentiments of the industry across all types of financial services. The participants of the survey are more confident about the outlook of the economy as well as their respective industries and organizations. The pandemic has also changed the business landscape and the way it was organized and managed.

The pandemic-related disruptions have mandated a higher level of digitalization, automation, and remote working, which has also posed the related challenges of ensuring Information & Cyber Security, endpoint protection & maintenance of hardware, employee engagement, and health & safety-related issues.

Key Findings

Economic outlook – Our survey results indicate that unlike last year the respondents were optimistic about the economic outlook and 95% of the respondents had a positive outlook about the economy.

Impact on the Profitability - Survey results indicate that 82.67% of the respondents expect growth, with 68% expecting slight growth and 14.67% expecting major growth, which corresponds with the overall economic outlook. Only 5.35% of respondents see any kind of de-growth in profitability.

Impact on revenue - Survey results indicate that 70% of the respondents expect their revenue to grow while only 9% of them expect any de-growth in revenue. However, only 23% of the respondents expect major growth, reflecting that the caution still prevails while predicting growth magnitude.

Retail business expected to grow more – 33% of the respondents expected major growth in the retail business while 25% saw major growth in the corporate business. Overall, 78% of respondents expected a certain amount of growth amount of growth in retail business compared to 75% for the corporate business.

Higher growth in the urban markets - 73%, 61%, and 59% of the respondents expect some revenue growth in urban, semi-urban, and rural markets, respectively. This may be correlated to higher vaccination rates in the urban centers than in the rural areas at the time of filling the survey.

WFH increases productivity – Most of the respondents (78%) thought that WFH increased productivity, 13.33% thought that there was no impact and only 6.67% of the respondents thought that it decreased productivity.

Going forward with WFH – The majority of the respondents expect a hybrid model with WFH as a preference (69.33%) compared to those preferring 100% onsite (6.67%) or 100% WFH (4%).

Status of Cybersecurity - 55.41% of the respondents were of the view that their industry has a high preparedness to mitigate the cyber security risks. 41.89% of respondents thought that their industry has a medium level of preparedness.

How good is your resiliency plan - 55.56% of the respondents felt that their organization's operational resilience plan was effective while 37.50% of respondents felt that there is some opportunity to improve and only 6.94% felt that the operational resilience plan was still evolving.

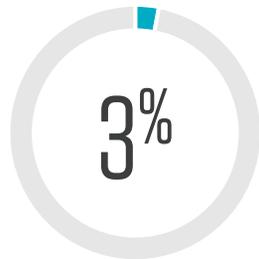
Focus area for Business Transformation - New Products & Innovation seems to be the focus area for Business Transformation for the respondents (72%), followed by Business Process Re-engineering/Improvement/Digitalization (43%) as distant second preference.

Overall Perspective

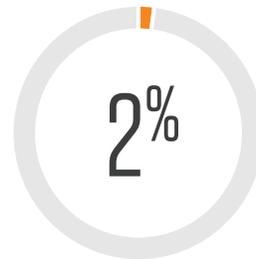
• • • What is your outlook for the economy in the current financial year?



Positive

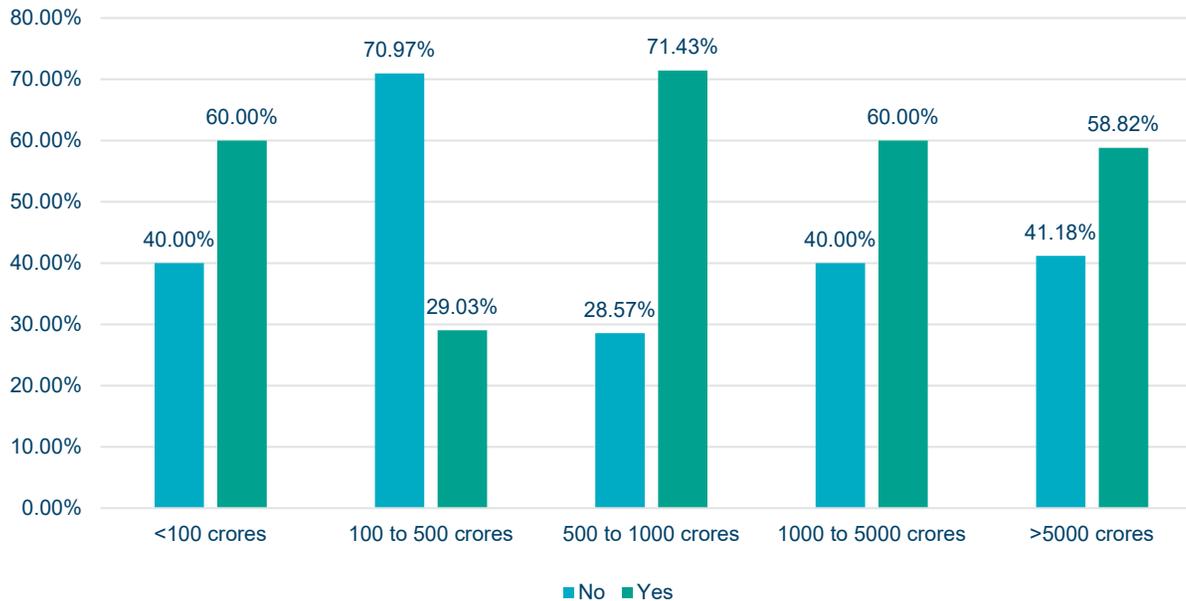


Neutral



Negative

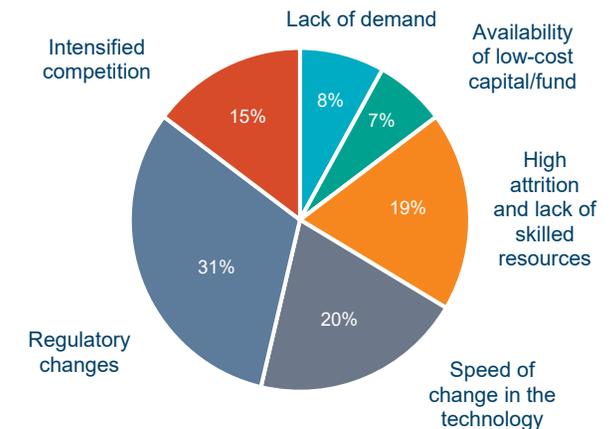
• • • Do you anticipate the disruption to continue in your industry?



Overall, 48% of the respondents believe that disruption will continue. However, the Insurance and Capital Market organizations are more cautious as more than 58% and 68% of the respondents expect the disruptions to continue in their industry, respectively.

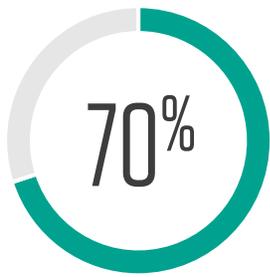
The Capital Market participants are somewhat anxious, possibly due to the volatility in the macroeconomic environment such as global trade war, political instability, volatile commodity prices, headline inflation, etc.

• • • What are the major challenges that you foresee in your industry?

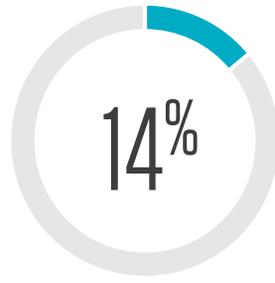


Revenue

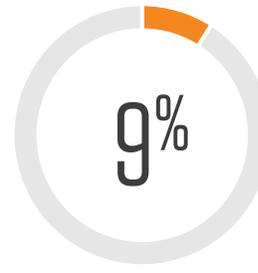
• • • How is your revenue expected to change in the current financial year as compared to last year? (2019-20, pre-pandemic)



Growth



Stable

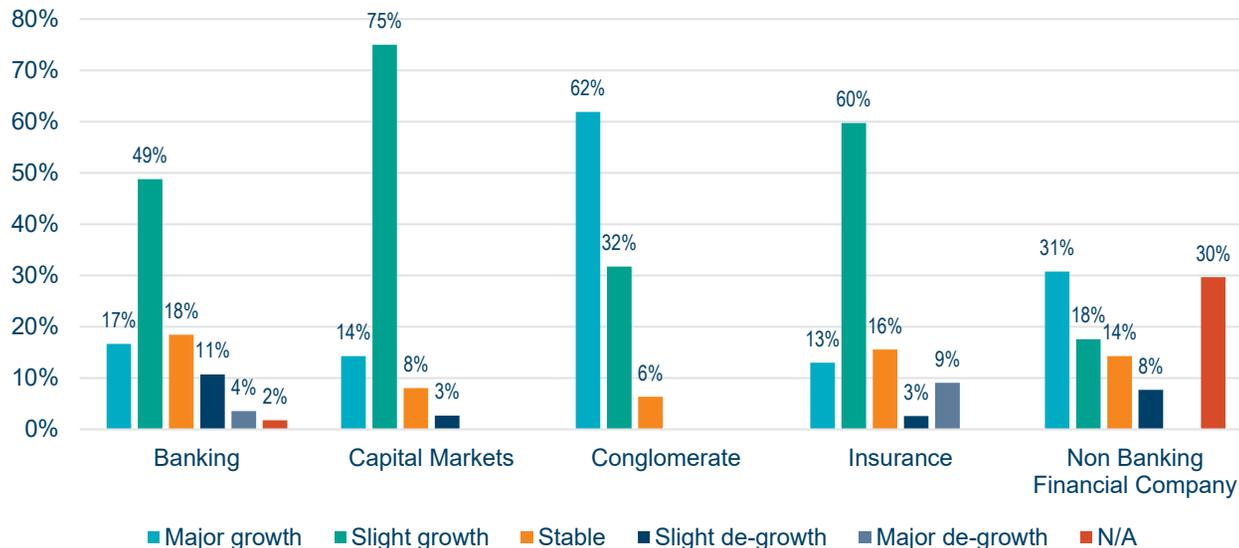


De-growth

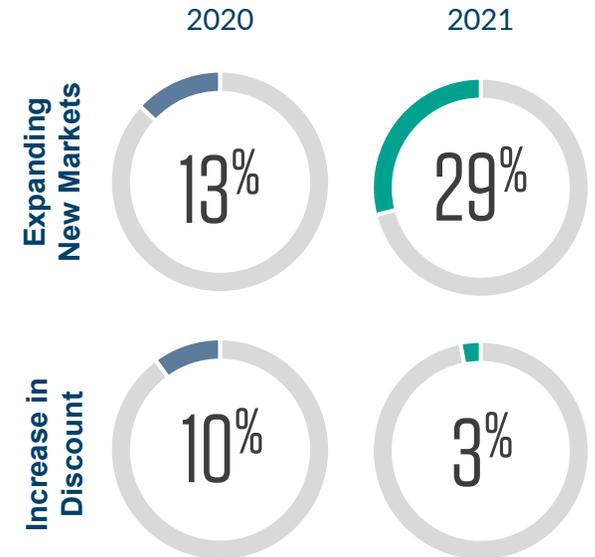
* 7% of the respondents did not provide any comment

• • • Revenue impact across sub-sector

Revenue Growth Expectations-Industry Specific



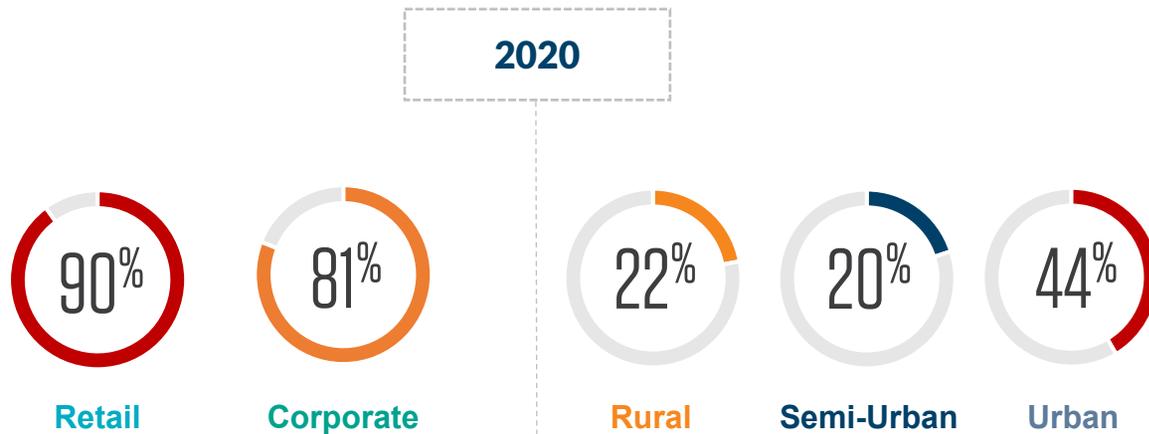
• • • What steps are you taking on to increase the revenue?



The survey clearly indicates positive business sentiments as 29% of the respondents look to expand in new markets as compared to 13% in the previous survey. Correspondingly, only 3% of respondents want to increase discounts compared to 10% of the respondents in the previous survey.

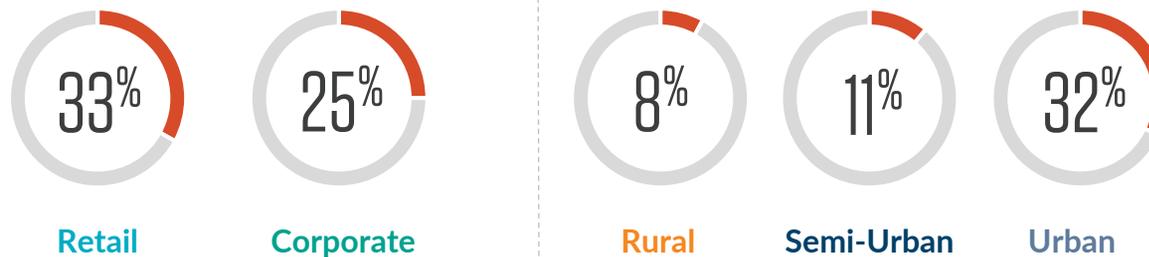
- • • % of respondents expecting **moderate and significant impact** in retail and corporate business

- • • % of respondents expecting **significant impact** in rural, semi-urban and urban business



- • • % of respondents expecting **major growth** in retail and corporate business

- • • % of respondents expecting **major growth** in rural, semi-urban and urban business



Harder it falls, higher it bounces

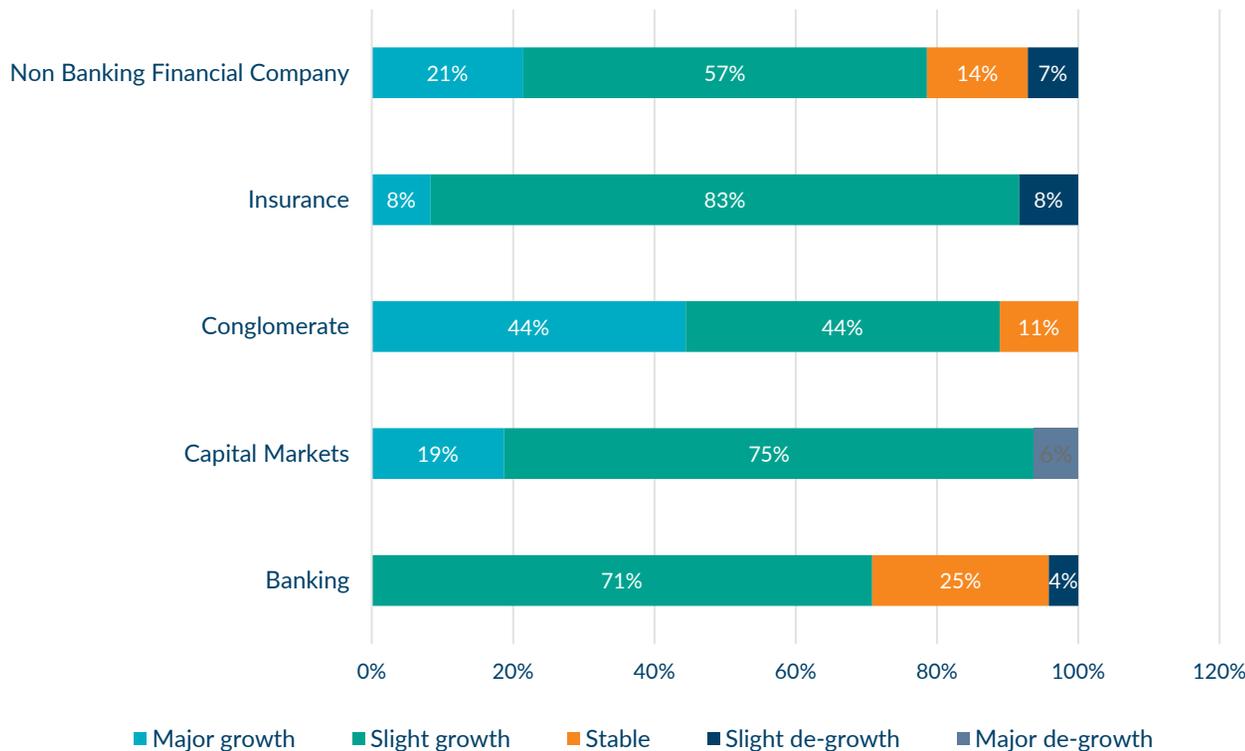
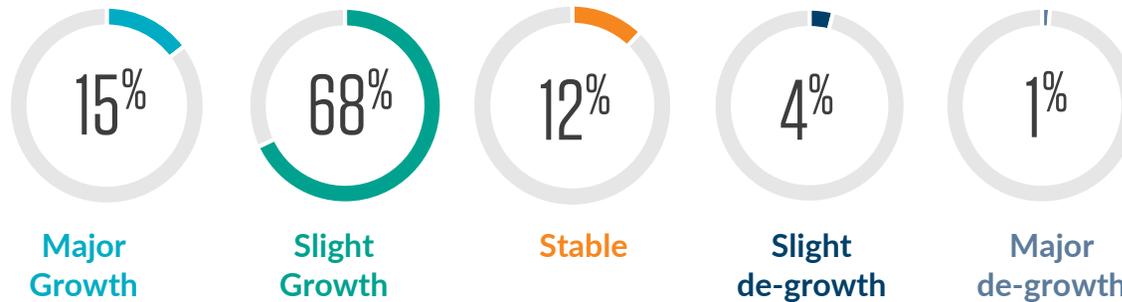
During the previous survey, we had obtained feedback on how much negatively revenue would be impacted across segments i.e., retail & corporate and rural; semi-urban & urban. In the current survey, we have obtained feedback with respect to how much revenue growth they envisage in each of the segments.

In the previous survey, 90% of the respondents suggested a moderate and significant impact on retail business as compared to 81% on corporate business. In the current survey, 33% of the respondents suggested major growth in the retail business as compared to 25% in corporate business.

In the previous survey, 44% of the respondents suggested a significant impact on urban business as compared to only 20% & 22% by rural & semi-urban businesses, respectively. In the current survey, 32% of the respondents suggested major growth in urban business as compared to only 8% & 11% in rural & semi-urban businesses, respectively.

Profitability

• • • How is your profitability expected to change in the current financial year as compared to last year? (2019-20, pre-pandemic)



Despite people believing disruptions to continue across industries, only 5% of the respondents believe there will be de-growth in the profitability, of which only 1% believe there will be a major de-growth.

Only the respondents from large-size companies have indicated a possibility of de-growth in their profitability. 20% of the respondents from INR 1000-5000 crore size organizations expect either a slight de-growth or a major de-growth. Similarly, 3% of the respondents from INR 5000 crore size organizations expect a slight de-growth or a major de-growth.

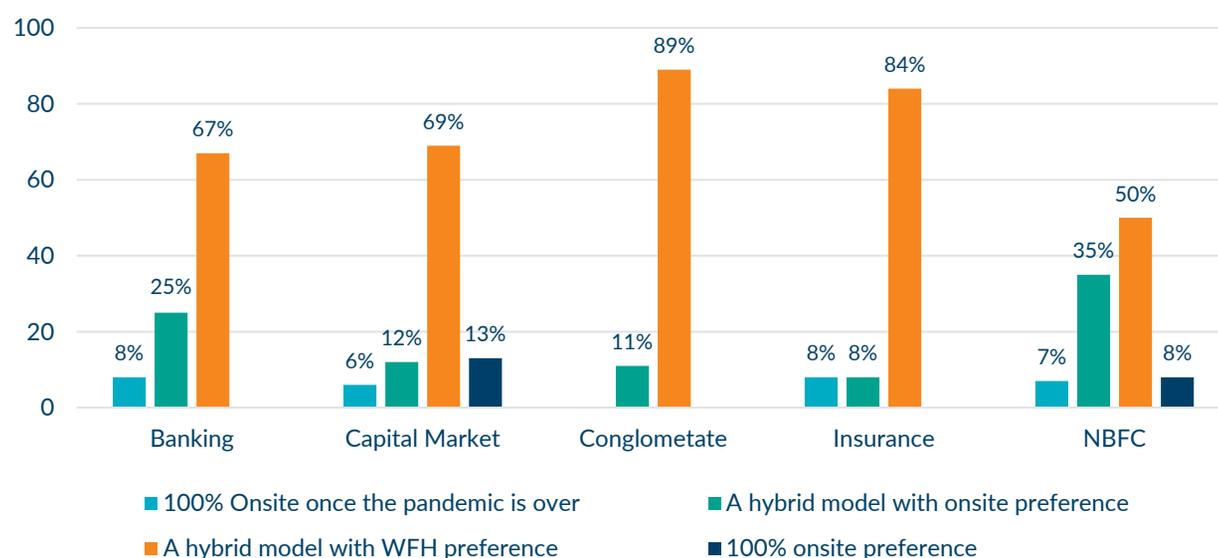
21% from the NBFC's, 11% from conglomerates, and 29% respondents from the banking organizations, respectively expect some amount of de-growth in the profitability.

Work From Home

• • • How has Work from Home (WFH) impacted productivity in your industry?

Revenue Size (CR)	WFH Impact on Productivity			
	Increased	No Impact	Decreased	No comments
> 5000	74%	16%	10%	-
1000 to 5000	87%	6%	-	7%
500 to 1000	88%	6%	6%	-
100 to 500	71%	29%	-	-
<100	60%	20%	20%	-

• • • What changes do you see in your operating model going forward?



Highest negative impact on productivity was witnessed by smaller organizations possibly due to constraints they would have faced to implement technical tools to enable WFH/ due to the nature of work.

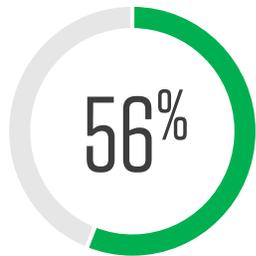
For small to medium size organizations, limited IT helpdesk support and lack of access to the system by remote locations /branches were major challenges while WFH.

IT security for remote working and improving IT infrastructure are the top priorities for organizations to overcome the challenges of WFH.

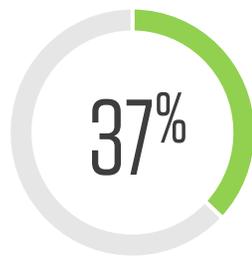
Overall, more than 93% of the respondents were open to some form of WFH. However, we also see that only 4% of the workforce is willing for 100% WFH. This demonstrates that most of the workforce still prefer some face-to-face interaction with their clients or colleagues.

Operational Resilience

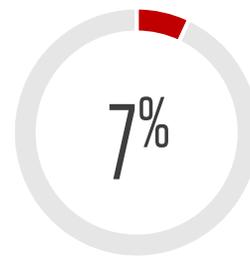
• • • How would you rate your organization's operational resilience plan to handle the disruptions?



Effective

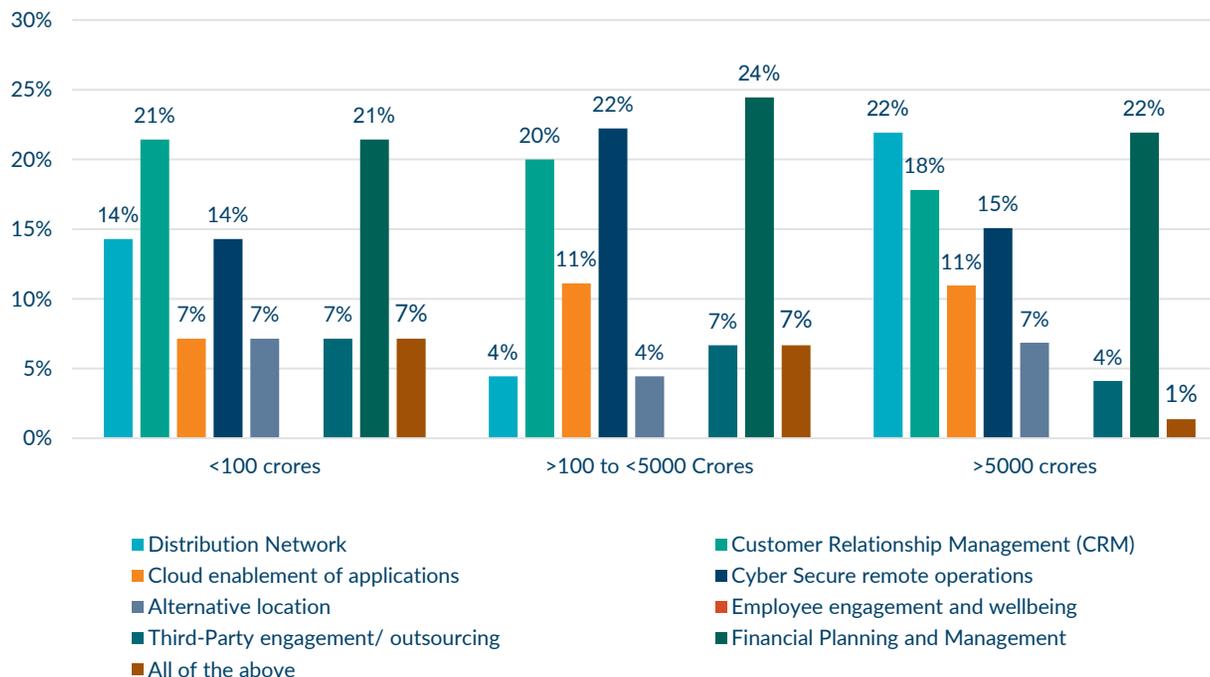


Some opportunity to improve



Still evolving

• • • Which are the areas that you would focus upon to improve your resilience plan?



Around 28% of the respondents from Non-Banking Financial companies believe that their operational resilience plan is still evolving, whereas 67% of the respondents from the Insurance companies believe that their operational resilience plan has some opportunity to improve.

More than 60% of the respondents from the INR 1000-5000 crores, > INR 5000 crores and < INR 100 crores size organizations believe that the operational resilience plan to handle disruptions is effective.

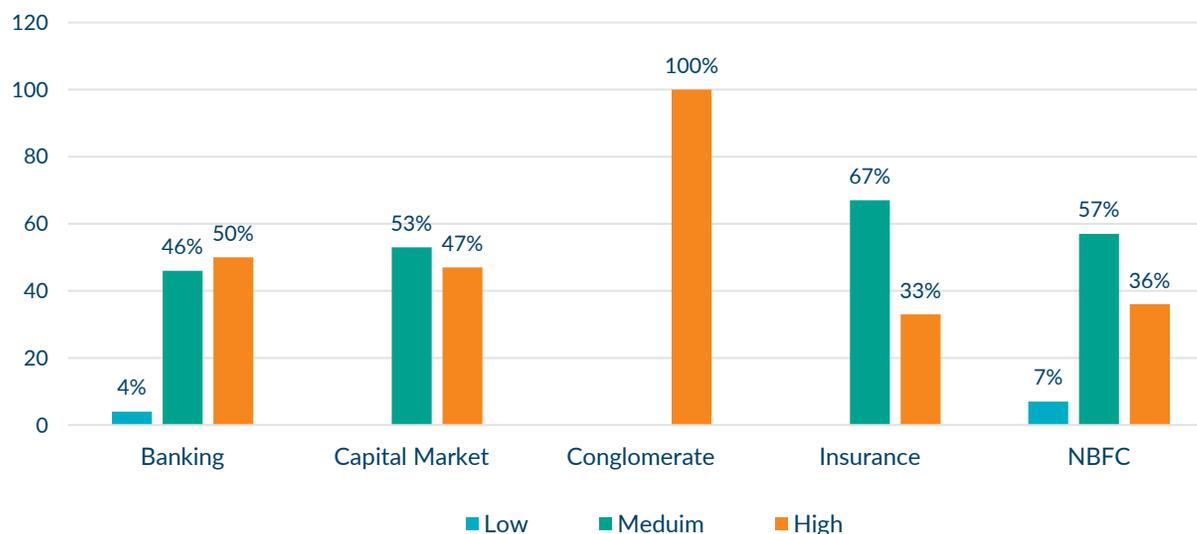
Financial planning and management, cyber secure remote operations, and CRM are the top 3 preferred focus areas for improving the resilience plan across organizations of all sizes.

Information & Cyber Security

• • • What is your view on your industries preparedness to mitigate cyber security risk

Revenue Size (Cr)	Low	Medium	High	No Comment
>5000	3%	16%	78%	3%
1000 to 5000		60%	40%	
500 to 1000		65%	35%	
100 to 500		67%	33%	
<100		40%	60%	

• • • What is your view on the level of awareness about information security risk



100% of the respondents suggest either medium or high preparedness to mitigate cyber security risk, except the NBFC sector, though only 7% of the respondents from NBFC sectors believe low preparedness.

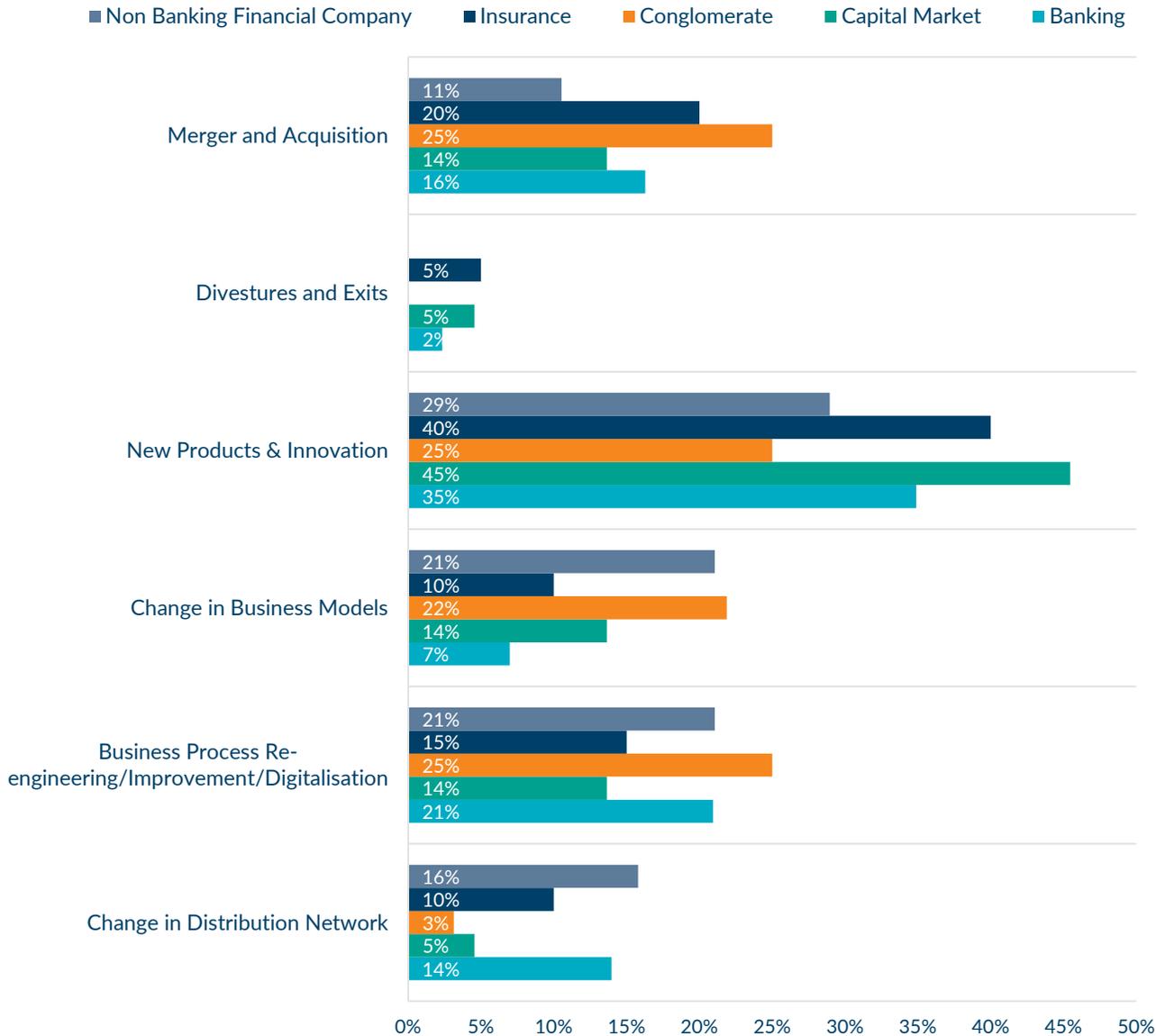


• • • Which are the areas of focus to enhance the information security? (Major areas)



Business Transformation

- • • What will be the focus areas of business transformation in your industry in the near to medium term (1-3 years)? (Multiple choice question)



* 13% of the respondents did not provide any comment

New product and innovation are the overriding themes across all types of organization. The previous survey results indicated that 32% of the respondents preferred building new solutions/products as a key strategy to minimize the impact on revenue during the pandemic. It seems to have worked and therefore the businesses are continuing with new products and innovation as the overriding strategy.

Business process re-engineering & digitalization and change in the business model are the next two most preferred strategies.



Digital Maturity

• • • What is the current digitization maturity level of the following areas in your organization?

Areas	Digital Skeptical	Digital Beginner	Digital Follower	Digital Advanced	Digital Leader
Sales & Distribution	1%	26%	40%	28%	4%
Customer Lifecycle	4%	19%	42%	32%	3%
Operations	3%	21%	38%	36%	3%
Compliance	4%	10%	51%	32%	3%
Finance	3%	10%	43%	42%	3%
IT	4%	10%	29%	40%	17%
HR	1%	21%	47%	24%	7%

As per the survey results, Conglomerate followed by Capital Market organizations are at the higher digital maturity level.

At the functional level, IT and Finance functions are leading the pack in terms of digital maturity level. 57% of the respondents have voted IT to be either digitally advanced or at a leader level followed by the Finance functions at 45%.



Conclusion

The survey results give us a positive view of the future albeit with a cautious approach. We are sitting in a delicate balance and our future actions will decide the direction and the speed of getting back to normal. There are still some challenges related to behavioral changes and the acceptance of vaccination as the most effective protection against the virus.

It is often said in the world of physical sports that what does not kill you makes you stronger. The pandemic has been a near-death experience for many of us at individual and organizational levels, and thankfully most of us have emerged alive and stronger out of it.

What is the way forward?

Many of the last year's threat perceptions related to the disruptions have thankfully, not materialized. E.g., the demand for goods and services, though contracted initially, revived to a significant extent as companies adjusted their strategies and operations. The economy also did not face a huge liquidity crunch as expected at the time of the previous survey. However, some issues continue to be a threat.

01

Are we ready for the new talent war and a changing workplace?

Many respondents in our last year's survey were worried about the shortage of human capital as a challenge to the recovery and it continues to be a major challenge. This may be related to the high demand for technology resources in the market leading to a lot of churns. Work from Home has emerged as the most significant paradigm from this pandemic having a long-lasting impact on our concept of work.

A number of industries have adopted to WFH, as it mostly has a positive impact on productivity. More people are looking to have a hybrid work set up that allows them the flexibility to choose between onsite and WFH. As Employee engagement is an important success factor for the resilience plans, businesses must take this aspiration of the workforce into account while preparing their operating models to ensure that they get the best talent to work for them.

02

Are we ready for a jump to the future in the way business will be done?

The other business-critical challenges are the speed of change in the technologies and intensified competition among the players. We are witnessing a surge in new-age organizations as digitalization has reduced several of the entry barriers for new entrants. These organizations have been set up and run by technology-savvy entrepreneurs who want to try new boundaries without the fear of failure. The ease of access to funds for them has increased because of the increased liquidity, partly due to access to the global investors, and secondly a record low level of interest rates across the global markets. This would require a lot of focus and initiatives on business transformation in traditional large businesses which are focusing on business process re-engineering and change in business models.

03

Are we confident of our information and cyber security readiness?

A decentralized geographically spread remote workforce will require better information and a cybersecurity environment. The companies have identified this need and that is why "IT security for remote working," was opted as the most important initiative to facilitate WFH. The industry at an overall level is very confident of its cybersecurity and information security preparedness. However, there are ever-emerging challenges, and the CIOs and CEOs would require to be on their feet for the continuous upgrade in their security infrastructure to mitigate these risks. They would also have to make the workforce aware of these risks and their role in mitigating them.

04

Are we keeping up with the regulatory changes?

Change in the regulatory environment continues to be one of the topmost challenges. We would need strong governance, operational resilience, technology, and infrastructure to cope up with it.

About Protiviti

Protiviti (www.protiviti.com) is a global consulting firm that delivers deep expertise, objective insights, a tailored approach, and unparalleled collaboration to help leaders confidently face the future. Protiviti and its independent and locally owned Member Firms provide clients with consulting and managed solutions in finance, technology, operations, data, analytics, governance, risk and internal audit through its network of more than 85 offices in over 25 countries.

Named to the 2021 Fortune 100 Best Companies to Work For® list, Protiviti has served more than 60 percent of Fortune 1000® and 35 percent of Fortune Global 500® companies. The firm also works with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.

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