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# Banking in 2035: global banking survey report

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# About the research

To understand how leaders view the trends that will increasingly reshape banking, Economist Impact, sponsored by SAS, conducted an in-depth survey in March 2022. More than 500 banking sector executives responded from organisations of all sizes around the world, including corporate, commercial, retail and digital banks. This report highlights some key findings from the survey and is complementary to the *Banking in 2035: three possible futures* briefing paper, which also explores the challenges and opportunities facing banks between now and 2035.

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# Foreword by SAS

While most banks were able to ride out the storm of the pandemic and other crises from the last few years, the challenges they still face from a societal, business and regulatory perspective are unprecedented.

To compete in a world where uncertainty is constant, and issues like sustainability, equity, equality and a sense of community have become a part of business strategy, banks must continuously adapt to stay relevant and resilient.

As we look to the future and banking's role in our global economy, it's time to ask a bigger question. What's possible when you dare to do banking better?

We believe that banking's future in a digital economy requires a strategy centered around purpose and profitability ([sas.com/betterbanking](https://sas.com/betterbanking)). Consumers today are apt to show loyalty to businesses that align with their environmental and social values and demonstrate global responsibility. By unifying analytics with purpose in the most authentic way, banks can put customers at the heart of their business, make stronger emotional brand connections and differentiate their business for the long term.

Banks can now make faster, data-driven decisions to deliver new levels of customer service while achieving a broad and positive social impact. Traverse from transactions to trusted relationships. Approve the much-needed loan faster. Make onboarding simpler. Serve the unbanked and underbanked. Keep fraudsters out. And personalise the experience, no matter where banking is done.

SAS is pleased to sponsor this report by Economist Impact, which explores how banks can evolve their mission and business models to shape and elevate our global economy – from societies to communities to every individual. To be a champion for people and the planet, reaching a sustainable future that's built to last. And deliver on the possibility of how conscientious banking can change the world for everyone – today through 2035 and beyond. To explore the survey data in-depth via SAS' online dashboard, visit [sas.com/bankingin2035](https://sas.com/bankingin2035).

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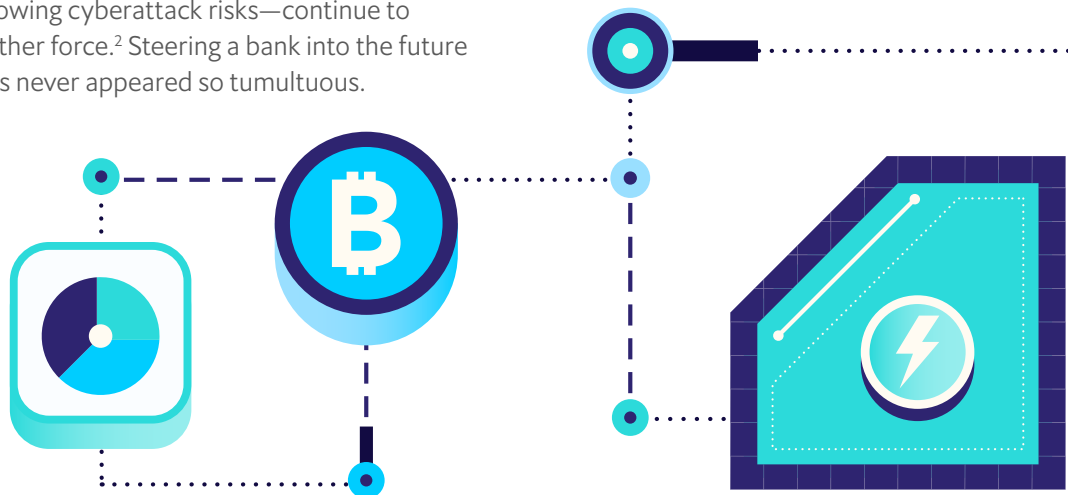
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# Executive summary

Recent years have offered banks object lessons in how to manage volatility. The covid-19 pandemic, Russia's invasion of Ukraine, and the increasingly intense impacts of climate change are posing major challenges. In many ways, the banking sector has proven remarkably resilient to such risks.

Profitability in the face of a prolonged pandemic, for example, was higher than many observers expected, according to McKinsey's most recent global banking annual review.<sup>1</sup> Yet the deeper structural challenges facing the sector—including digitalisation, fintech disruptors, digital currencies and growing cyberattack risks—continue to gather force.<sup>2</sup> Steering a bank into the future has never appeared so tumultuous.

To understand how leaders view the trends that will increasingly reshape banking, Economist Impact, sponsored by SAS, conducted an in-depth survey in March 2022. More than 500 banking sector executives responded from organisations of various sizes around the world, including corporate, commercial, retail and digital banks. This report highlights some key findings from the survey and is complementary to the *Banking in 2035: three possible futures* briefing paper, which also explores the challenges and opportunities facing banks between now and 2035.



<sup>1</sup> McKinsey, "Global Banking Annual Report", December 1st 2021, <https://www.mckinsey.com/industries/financial-services/our-insights/global-banking-annual-review>

<sup>2</sup> OECD, "Digital Disruption in Banking and its Impact on Competition", 2020, <https://www.oecd.org/daf/competition/digital-disruption-in-banking-and-its-impact-on-competition-2020.pdf>

### Key findings:

- Bank leaders display cautious optimism about the future. They are generally positive about how some major trends—including digitalisation, digital currencies and the increasing importance of environmental, social and governance (ESG) issues—will impact their own organisation in the coming decade. At the same time, they remain conscious of growing risks from cyber-attacks and geopolitical uncertainty, among others.
- Despite the optimism, various obstacles could prevent banks from staying competitive amidst these major trends as well as leveraging the power of data analytics. Challenges include siloed functions and departments, lack of relevant data to inform decision-making and customer concerns around the use of their data.
- Digital transformation tops bank leaders' mid-term strategic priorities. The majority (77%) believe that their organisation is on track or ahead in meeting its digital transformation initiatives and goals.
- Purpose-driven banking represents an historic shift away from the longstanding shareholder governance model—and it is viewed positively by most executives. About three-quarter of respondents (76%) believe that their sector is obligated to address societal issues.
- Translating such high-level support for purpose-driven banking into real action requires greater commitment and effort. Three out of five executives (64%) say that the financial services industry lags behind other industries in terms of progress on ESG goals and commitments, and only 38% say that their organisation has already established transparent and measurable ESG goals aligned with their corporate strategy.



# Challenges as opportunities: cautious optimism about the future

Bank leaders are conscious of the risks at hand and on the horizon—but also generally optimistic about how their organisations could be reshaped during the coming decade. Yet significant implementation gaps exist in organisations' current efforts to meet strategic challenges, suggesting that major risk mitigation and change management efforts lie ahead.

The banking sector has undergone profound transformation and volatility, especially since the 2008-09 global financial crisis.<sup>3</sup> An array of new digital technologies has enabled banks to evolve beyond physical branches while catalysing new fintech disruptors, digital currencies and cybersecurity threats. At the same time, increased regulations and compliance requirements, in tandem with a period of prolonged low interest rates in the decade following the 2008-09 global financial crisis, have posed operational challenges to established firms.<sup>4</sup>

**Executives are keenly aware of their industry's looming challenges—yet many appear surprisingly optimistic,** even a few years into the covid-19 pandemic. The survey highlighted the trends that bank leaders see as potentially impactful in the next decade (Figure 1). The digitalisation of financial services and the adoption of emerging technologies stands out as the most influential.

Large portions of survey respondents appear optimistic about how the top five trends will impact their own organisation. With the exception of the growing risk of cyber-attacks, executives see the rest of the trends as among the greatest opportunities for their organisation (Figure 1).

**According to banking executives, the digitalisation of financial services and the adoption of emerging technologies stands out as the most influential trends for the industry over the next decade.**

<sup>3</sup> Ibid

<sup>4</sup> Reserve Bank of Australia, "Low Interest Rates and Bank Profitability – The International Experience So Far", June 17th 2021, <https://www.rba.gov.au/publications/bulletin/2021/jun/low-interest-rates-and-bank-profitability-the-international-experience-so-far.html>



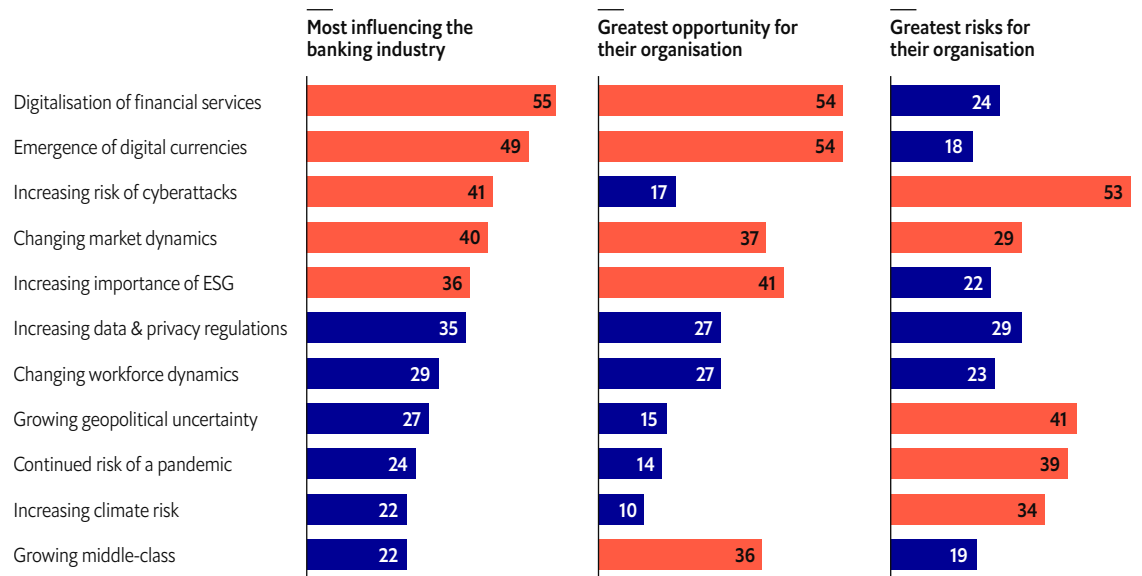
It is notable that two in five surveyed executives consider the growing importance of ESG as among the greatest opportunities for their organisation (Figure 1). Indeed, ESG issues have become a major priority for the C-suites of many banks in recent years.<sup>5</sup> Increasingly available ESG data enable banks to better manage climate risks, while the growth of green bonds create new business opportunities.<sup>6</sup> Only two other trends, digitalisation and the emergence of digital currencies, were selected by more respondents.

While executives may see opportunity on the horizon, they are also conscious of the risks imposed by major trends impacting the banking world. The growing risk of cyber-attacks worries executives more than any

other trend. More than half (53%) of survey respondents selected this as one of the greatest risks that their organisation faces over the next decade (Figure 1). This is not surprising given the severity and material impact that such attacks can have. One IMF study estimated average annual losses by banks to be about US\$100bn.<sup>7</sup>

Following cyber-attacks, the two top risks concerning executives are growing geopolitical uncertainty (41%) and the continued risk of a pandemic (39%). Ongoing events such as the Russia-Ukraine war and the covid-19 pandemic also seem to be shaping risk level perceptions here.

**Figure 1: The trends bank executives expect to most influence their industry during the next decade, and the perceived opportunity and risk**  
(% respondents; top five trends highlighted in red)

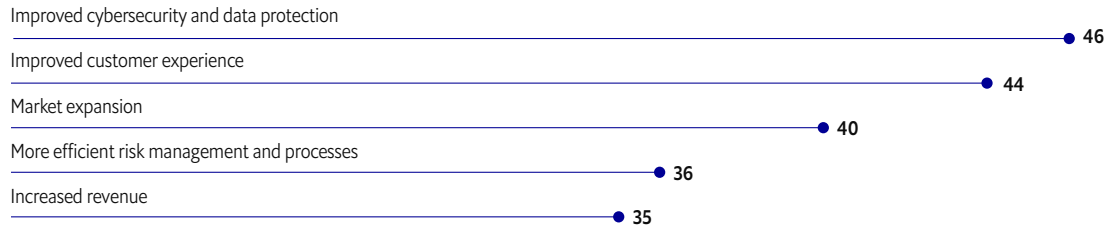


<sup>5</sup> EY, "How to navigate the increasingly important and complex ESG agenda", February 18th 2021, [https://www.ey.com/en\\_us/financial-services/how-to-navigate-the-increasingly-important-complex-esg-agenda](https://www.ey.com/en_us/financial-services/how-to-navigate-the-increasingly-important-complex-esg-agenda)

<sup>6</sup> PwC, "Next in banking and capital markets", [https://www.pwc.com/us/en/industries/financial-services/library/next-in-banking-capital-markets-trends.html?WT.mc\\_id=CT7-PL900-DM1-TR1-LS4-ND30-PRG7-CN\\_DataAndAnalyticsBuilds-NextInBakingCapitalMarketsTrendNativeNative](https://www.pwc.com/us/en/industries/financial-services/library/next-in-banking-capital-markets-trends.html?WT.mc_id=CT7-PL900-DM1-TR1-LS4-ND30-PRG7-CN_DataAndAnalyticsBuilds-NextInBakingCapitalMarketsTrendNativeNative); Climate Bond Initiative, "\$1 trillion annual green bond milestone tipped for end 2022", <https://www.climatebonds.net/resources/press-releases/2021/10/1trillion-annual-green-bond-milestone-tipped-end-2022-5trillion>

<sup>7</sup> Lagarde, Christine, "Estimating cyber risk for the financial sector", International Monetary Fund, June 22nd 2018, <https://blogs.imf.org/2018/06/22/estimating-cyber-risk-for-the-financial-sector/>

**Figure 2: The top five most important outcomes for banks over the coming decade**  
(% of respondents)



**The pursuit of business growth and risk management and mitigation will be the primary drivers for banking organisations' efforts to stay ahead of or take advantage of these trends.** Of the top five most important outcomes that executives identified to take advantage of (Figure 2), two were risk management-related: improved cybersecurity and data protection and more efficient risk management and processes. The other three outcomes were growth-related.

**However, the survey revealed that significant gaps exist in current efforts and that more needs to be done in order to implement these strategies.** For example, the top three strategies identified by executives as the most effective for staying ahead or taking advantage of major trends in the banking industry are: investing in cybersecurity and data protection capabilities (selected by 49% of respondents); improving the customer experience, including through technology and data analytics (48%); and bolstering information and data sharing between the digital payment, fraud protection and anti-money laundering functions (44%).

#### Bank executives identified three top strategies to stay ahead:

1. Invest in cybersecurity and data protection capabilities.
2. Improve the customer experience.
3. Improve data sharing between digital payment, fraud protection and anti-money laundering functions.

Yet, even among respondents who selected those three strategies as the most effective, a significant proportion said their organisations had not implemented them. Nearly two in five (38%) said their organisation had not invested in cybersecurity and data protection capabilities. Forty-four percent had not improved the customer experience. And nearly half (49%) had not improved information/data sharing processes and functions.

Nonetheless, of those respondents who mentioned that their organisation had not yet implemented these strategies, most planned to do so in the next three to five years.

# Digital transformation tops bank leaders' mid-term priorities

Digital transformation represents a top strategic priority for bank leaders in the next three to five years. While digital transformation can involve a range of dimensions—including customer-facing services, backend operations and organisational culture<sup>8</sup>—data analytics will be a crucial capability that banks lean on.

Banks had been wrestling with when and how to digitally transform for years leading up to the covid-19 pandemic. The chief legacy of that crisis in the banking sector has been to force rapid change on a sector not always eager to embrace new technologies or ways of operating and relating to customers.<sup>9</sup> Traditional banks are now on track to be digitally transformed by the end of this decade, with technologies such as cloud computing and AI becoming industry norms.<sup>10</sup>

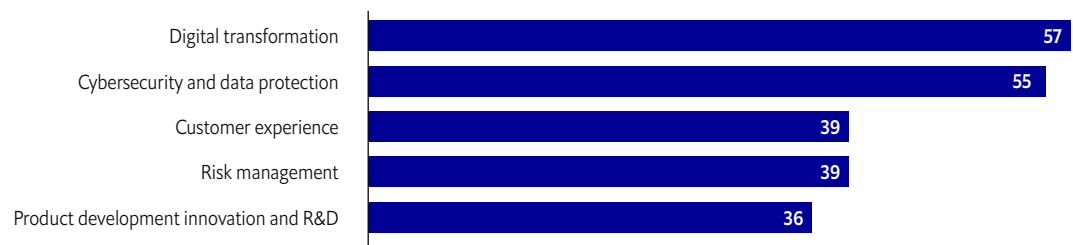
**When bank leaders look to the near horizon—the next three to five years—a clear majority (57%) agree that digital transformation is among their top strategic priorities (Figure 3).**

Cybersecurity and data protection (55%) are not far behind, especially as bank leaders perceive cyber-attacks as one of the greatest risks to their organisation.

The focus on digital transformation makes sense, since most surveyed executives also believe that the digitalisation of financial services and adoption of emerging technologies will be among the greatest opportunities for their organisation across the next decade.

**Figure 3: Strategic priorities bank executives plan on investing in or developing during the next three to five years to take advantage of long-term trends**

(% respondents; top five)



<sup>8</sup> MIT Technology Review, "Banks need to strike the right balance for digital transformation", January 15th 2021, [https://www.technologyreview.com/2021/01/15/1016087/banks-need-to-strike-the-right-balance-for-digital-transformation/?utm\\_medium=search&utm\\_source=google&utm\\_campaign=BL-ACQ-DYN&utm\\_content=categories&gclid=CjwKCAjw0dKXBhBPEiwA2bmObvJMV\\_fPpPd4zHFfnCMa7\\_P9WerznnLiF14RO6n\\_MGDpxdWmo0SjhoCBwcQAvD\\_BwE](https://www.technologyreview.com/2021/01/15/1016087/banks-need-to-strike-the-right-balance-for-digital-transformation/?utm_medium=search&utm_source=google&utm_campaign=BL-ACQ-DYN&utm_content=categories&gclid=CjwKCAjw0dKXBhBPEiwA2bmObvJMV_fPpPd4zHFfnCMa7_P9WerznnLiF14RO6n_MGDpxdWmo0SjhoCBwcQAvD_BwE)

<sup>9</sup> Boston Consulting Group, "The Sun Is Setting on Traditional Banking", November 24th 2020, <https://www.bcg.com/publications/2020/bionic-banking-may-be-the-future-of-banking>

<sup>10</sup> *The New York Times*, "Banks Tiptoe Toward Their Cloud-Based Future", January 1st 2022, <https://www.nytimes.com/2022/01/03/business/wall-street-cloud-computing.html>

However, how executives viewed digitalisation opportunities varied by location and organisational size. Respondents from Asia-Pacific were the most excited—64% chose it as among the greatest opportunities for their organisation. That was well above their counterparts in North America (52%), Latin America (50%) and Europe (50%). In fact, the tech-savviness among Asian consumers has created an opportunity for banks to leap ahead in delivering innovations compared with other regions.<sup>11</sup>

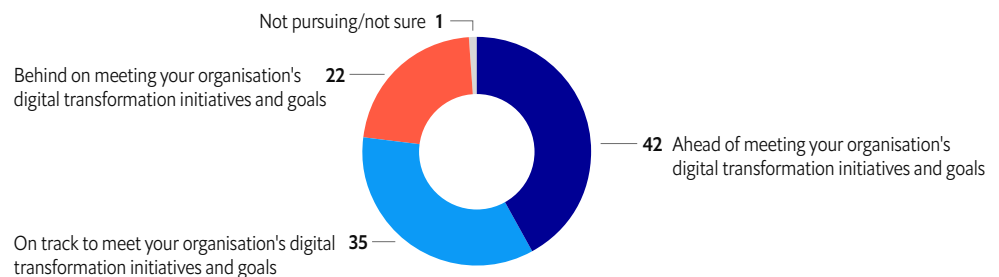
**The tech-savviness among Asian consumers has created an opportunity for banks to leap ahead in delivering innovations compared with other regions.**

**The majority of leaders feel well prepared to achieve their bank's digital transformation goals or successfully roll-out these initiatives.** This is somewhat surprising, and also encouraging, given how the pandemic accelerated digitalisation in the banking sector.<sup>12</sup> More than three in four (77%) respondents say that their organisation is currently on or ahead of schedule with respect to these efforts (Figure 4).

**The survey also revealed that many executives considered advanced data analytics as the most important digital capability for their organisation to leverage,** which is also widely seen as a crucial component of any successful digital transformation.<sup>13</sup>

Nearly half (48%) of executives selected advanced data analytics as the most important digital capability that their organisation must harness to remain competitive as long-term trends reshape the banking world. It was the clear overall favourite, followed by blockchain (35%), AI/machine learning (34%), IoT/5G (33%) and robotic process automation (29%).

**Figure 4: How would you rate your organisation's current progress towards meeting its digital transformation initiatives and goals?**  
(% of respondents)



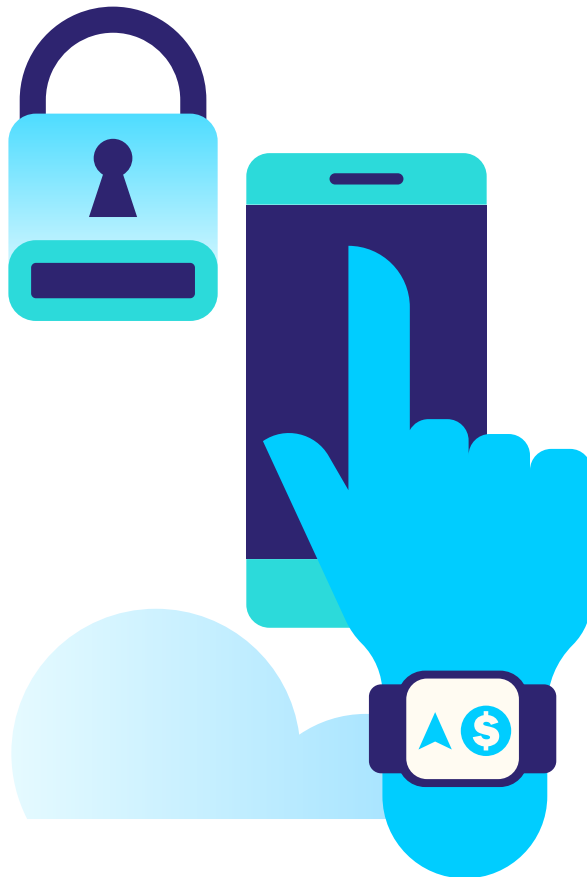
<sup>11</sup> McKinsey, "How Asia is reinventing banking for the digital age", February 11th 2020, <https://www.mckinsey.com/featured-insights/asia-pacific/how-asia-is-reinventing-banking-for-the-digital-age>

<sup>12</sup> EY, "How covid-19 has sped up digitization for the banking sector", November 3rd 2020, [https://www.ey.com/en\\_gl/financial-services-emeia/how-covid-19-has-spiced-up-digitization-for-the-banking-sector](https://www.ey.com/en_gl/financial-services-emeia/how-covid-19-has-spiced-up-digitization-for-the-banking-sector)

<sup>13</sup> Gartner, "Why data and analytics are key to digital transformation", March 8th 2019, <https://www.gartner.com/smarterwithgartner/why-data-and-analytics-are-key-to-digital-transformation>

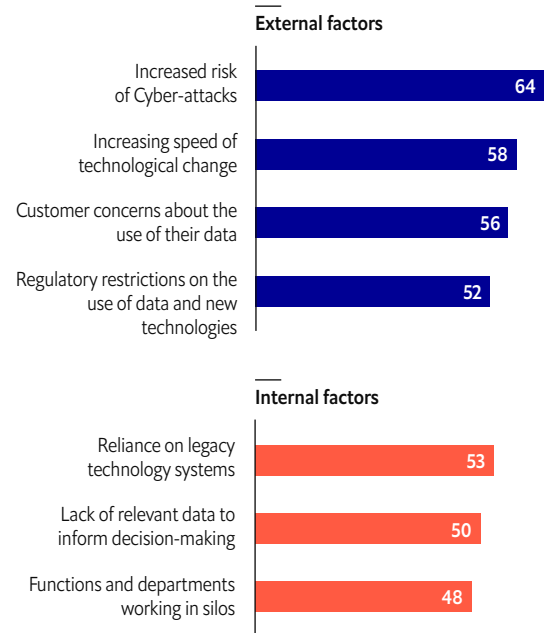
However, internal and external obstacles facing organisations that seek to stay ahead or take advantage of the long-term trends could also prevent the full uptake of data and data analytics. As shown in Figure 5, most of these obstacles are directly related to digital transformation, such as the increased risk of cyber-attacks and reliance on legacy technology systems.

In addition, functions and departments working in silos could also be a significant barrier to harnessing the power of data analytics. Indeed, about half (48%) of surveyed executives noted this as a significant barrier to change.



**Figure 5: To what extent do you expect the following internal and external factors to be a barrier to your organisation staying ahead or taking advantage of long-term trends?**

(% of respondents selecting “significantly/very much”)



The good news is that some departments are already co-operating. For example, more than two-thirds (68%) of respondents said that their bank’s anti-money laundering and fraud prevention departments “regularly” communicate or work together, or do so “as needed.” Another 22% said the two departments are fully integrated into one department with shared resources.

<sup>14</sup> Harvard Business Review, “Build better management systems to put your data to work”, June 30th 2022, <https://hbr.org/2022/06/build-better-management-systems-to-put-your-data-to-work>.

# In pursuit of purpose-driven banking

There is positive sentiment among banking executives around creating purpose-driven businesses and addressing societal needs. However, translating good will into action falls short and requires more effort.

In recent years, a growing consensus has emerged among business leaders and across industries that the dominant form of capitalism—which optimises short-term profits for shareholders—is unsustainable.<sup>15</sup> Many firms have begun shifting to a model of stakeholder capitalism, which is also concerned with the wellbeing of customers, communities, employees and the environment.<sup>16</sup> Purpose-driven banking is related to this shift, and often encompasses ESG-related activities as well as a broader commitment to customer relationships over profits.<sup>17</sup>

**Purpose-driven banking focuses on the wellbeing of customers, communities, employees and the environment, and has broad support among the industry's leaders. A majority of the industry's leaders believe banks are obligated to be socially responsible.**

**Purpose-driven banking has broad support among the industry's leaders—they view it positively and many believe that banks are obligated to be socially responsible.** As shown in Figure 6, more than four in five (82%) of executives agree that financial services organisations can pursue profit and better society at the same time. That sentiment is even more common among C-level executives, 91% of whom agreed with it. About three in four (76%) survey respondents also believe that the banking sector has an obligation to engage with and address societal issues. An even larger portion (81%) said that their bank takes responsibility for the social impacts of its activities.

Despite broad support for purpose-driven banking, some financial institutions are facing obstacles to pursuing an ESG agenda. For instance, major US banks have been affected by a political backlash from states in support of the fossil fuel industry, both during 2021 and 2022.<sup>18</sup>

<sup>15</sup> The Conference Board, "The shift to stakeholder capitalism is real and durable", January 7th 2022, <https://www.conference-board.org/topics/toward-stakeholder-capitalism/tectonic-shift-in-capitalism>

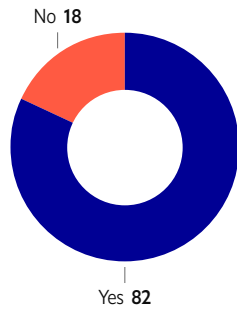
<sup>16</sup> World Economic Forum, "What is stakeholder capitalism?", January 22nd 2021, <https://www.weforum.org/agenda/2021/01/klaus-schwab-on-what-is-stakeholder-capitalism-history-relevance>

<sup>17</sup> Accenture, "Purpose: driving powerful transformation for banks", May 5th 2021, <https://www.accenture.com/us-en/insights/banking/purpose-driven-banking-powerful-digital-transformation>.

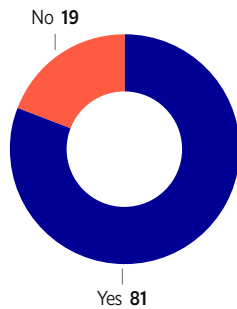
<sup>18</sup> Financial Times, "US banks tout fossil fuel credentials after Republican ESG backlash", August 7 2022 <https://www.ft.com/content/a35dc7ce-defb-4181-b528-c0b1e34e1d07>

**Figure 6: Purpose driven-banking has broad support from industry leaders**  
(% of respondents)

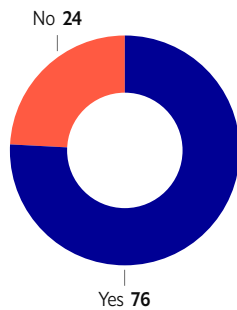
The banking sector can pursue profit and better society at the same time



Your organisation takes responsibility for the social impacts of its activities

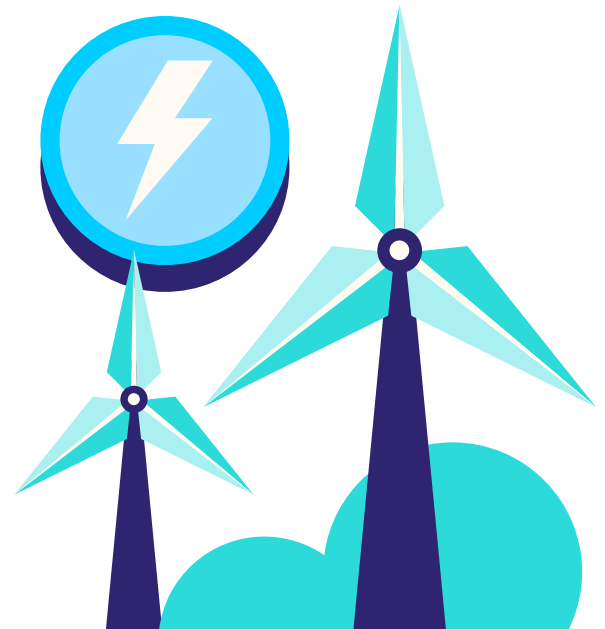


The banking sector has an obligation to engage with and address societal issues



Notably, executives do seem to be in part responding to new expectations voiced by both external and internal stakeholders. A desire for new governance practices that account for social and environmental needs has been voiced by both consumers and investors, a pressure that surfaced in our survey. Nearly three in four (71%) said “there is pressure from our customers to be a purpose-driven organisation.” The percentage is particularly high among C-level executives, at 81%. In the meantime, leaders are feeling pressure internally, from employees, to be a purpose-driven organisation; as reported by 66% of respondents.

Another important aspect of the purpose-driven mindset is recognising how banks are fundamentally linked to other stakeholders in society. The survey asked executives which were the “most important groups for financial services organisations to engage with in order to have the most positive impact.” The technology industry, investors and customers were the top three choices (46%, 44% and 43%, respectively). They were followed by the general public/consumers (36%) and government/policymakers (32%).



**Executives' aspirations for purpose-driven banking can also be attributed to the perceived opportunity with ESG.** As noted above, the increasing importance of ESG was selected as among the greatest opportunities for their organisations by 41% of surveyed executives.

Larger banks, which generally have greater resources to allocate to ESG, appear to be more keen to pursue changes in this area. While half (50%) of respondents from organisations with annual revenue of US\$2bn or more said that ESG was among the greatest opportunities in the coming decade, just 28% of respondents

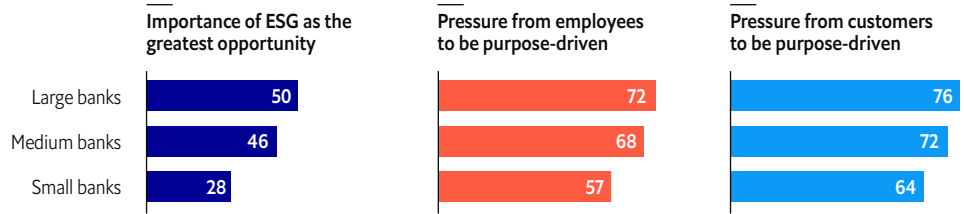
from banks with US\$500m or below in revenue said the same thing (Figure 7).

Similar results keyed to organisation size were seen in how respondents viewed their bank's awareness of its social impacts, as well as pressure from employees and customers to be purpose-driven.

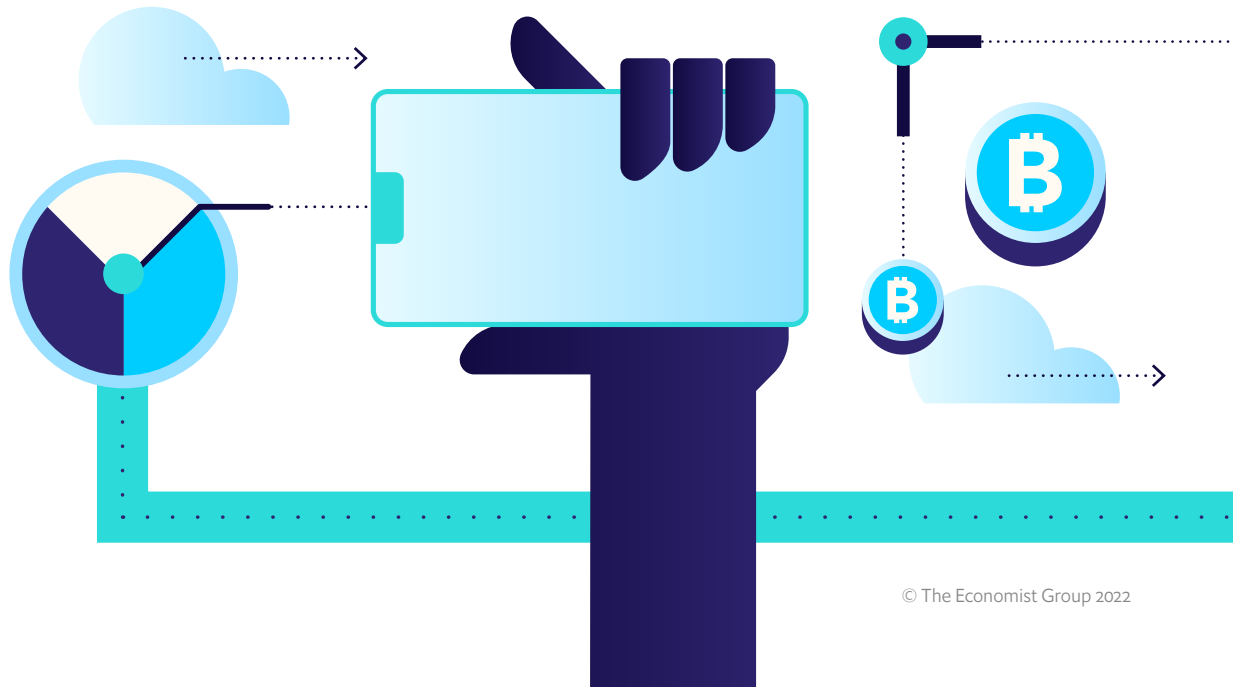
Supporting the idea of purpose-driven banking is one thing, but making it a reality is another. Asked to identify the most effective strategies for driving progress in this area, executives pointed to five above all others, as shown in Figure 8.

**Figure 7: How banking executives across different organisational sizes perceive various drivers of purpose-driven banking**

(% of respondents for each categories)

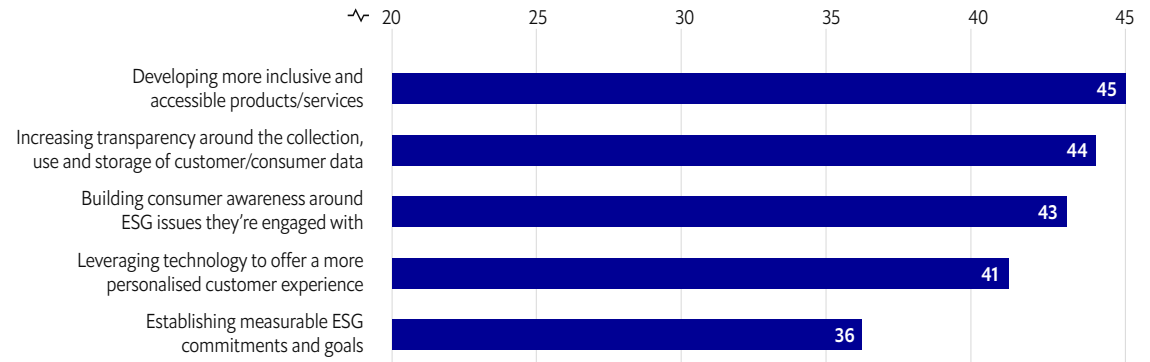


Note: Large banks represent organisations with annual revenue greater than US\$2bn; medium banks represent organisations with annual revenue between US\$2bn and US\$500m; and small banks represent organisations with annual revenue less than US\$500m.





**Figure 8: The top five strategies, according to financial services organisations, for effectively driving progress on societal needs? (% of respondents)**



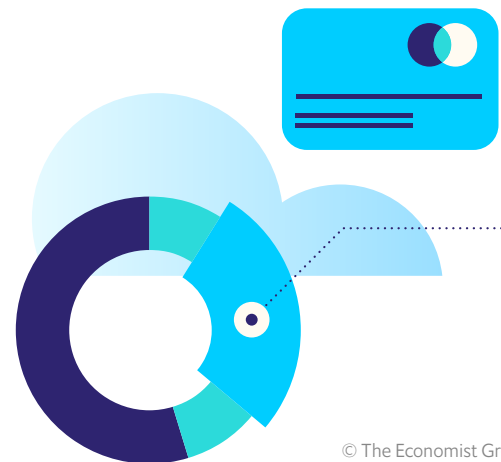
The high-level support from banking leaders for purpose-driven banking is clear—but that doesn't always translate into real action. About four in five (79%) executives agree that banks should be more engaged in addressing societal needs and issues. Executives in the largest organisations (at least US\$2bn in revenue) were more likely (86%) to feel this way, compared with respondents from smaller banks.

Moreover, a clear majority of all executives (64%) feels that financial services is behind other industries in terms of progress on ESG goals and commitments. About three-quarters (76%) of C-level respondents said this, compared with 61% of all other executives. Establishing transparent and measurable ESG goals aligned with corporate strategy is one area where leaders feel behind. Just 38% of those surveyed said their organisation had done this.

There is also some disconnect between the societal challenges that banks are currently the most engaged with and the issues that executives believe the industry can most positively impact. Roughly half of respondents said that environmental sustainability and climate change (52%), the digital divide (51%) and diversity and inclusion (48%) were the top three issues that their organisations are most engaged in.

At the same time, poverty and financial inclusion was the leading issue that executives said the industry could have the greatest impact on. And yet, this same issue was nearly at the bottom of the list of societal areas that organisations are currently most engaged with—only 35% of executives said poverty and financial inclusion received the most attention. And only “food, water or energy security” is getting less attention.

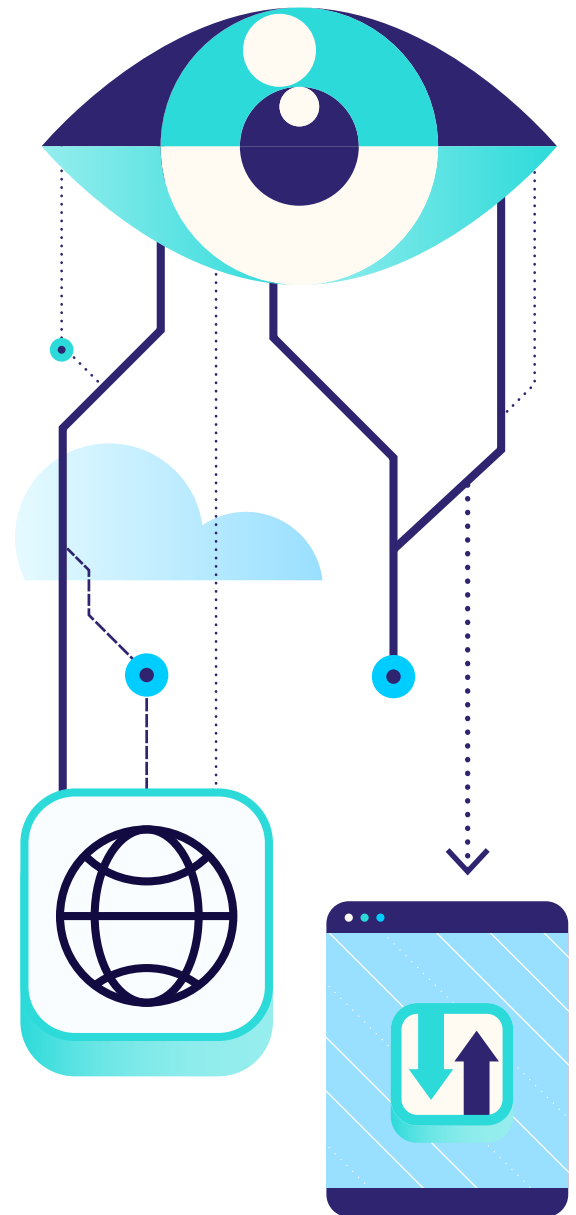
**A majority of executives feels that financial services is behind other industries in terms of progress on ESG goals and commitments.**



## Conclusion: ready to evolve

Today's bank executives view major trends reshaping their industry as inspiration to evolve rather than gathering storms threatening the viability of established organisations. Perhaps this has to do with the relative stability of the banking industry throughout a global pandemic. Compared with the global financial crisis roughly 15 years ago, these organisations have come through the past three years in relatively healthy shape.<sup>19</sup> Many have learned they are capable of embracing rapid change in the digital realm to meet the changing needs of customers.<sup>20</sup>

As the pressure to digitally transform grows in the coming years, organisations' pace of technological change will follow suit. What is far less clear is what growing pressure from customers, communities and other external stakeholders to embrace ESG practices and broaden the purpose of banks beyond profits will mean. Executives hear the winds of change, and appear ready to ramp up engagement with—and accountability for—societal challenges they can address. But this is unmapped territory. Expect “purpose-driven banking” to move beyond rhetoric and take tangible form in the decade to come.



<sup>19</sup> McKinsey, “Banking Through the Pandemic”, May 17th 2021, <https://www.mckinsey.com/featured-insights/future-of-asia/future-of-asia-podcasts/banking-through-the-pandemic>

<sup>20</sup> Deloitte, “Realizing the Digital Promise”, 2020, <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Financial-Services/gx-fsi-realizing-the-digital-promise-covid-19-catalyzes-and-accelerates-transformation.pdf>

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