

VISION REPORT

The State Of Low-Code In The Financial Services And Insurance Industries

January 23, 2024

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Summary

Low-code capabilities have captured the attention — and budgets — of business and development teams across financial services and insurance. Business leaders in both segments are keenly aware of their dependence on software, while they scramble for developer talent. Business and development teams are clamoring for guidance about the state of low-code priorities, maturity, decision-making, and lessons learned. But low-code is not a one-size-fits-all proposition. This report guides the low-code decision-making by financial services and insurance business and development teams.

High Demand And Unique Problems Test Development Teams

Rapid market changes are testing the mettle of business and technology leaders within the banking, financial services, and insurance (BFSI) markets. This sector depends on complex software — lots of it — and new applications, versions, and updates barrage its leaders every day. Over the past year, Forrester has talked to tech and business executives and solution providers across the financial services landscape about the pressures on software assets. We learned that in meeting changing market demands, business technology leaders face compounding challenges, including:

- **Crushing demand for more software, but too few developers to deliver.** It's no secret that there is [immense demand for developers](#). According to the US Bureau of Labor Statistics, employment of software developers, quality assurance analysts, and testers is [forecast to grow 25%](#) from 2021 to 2031, considerably faster than the 5% average employment growth for all occupations. The aggressive demand for software talent bids up wages, increases development costs, delays development delivery, and pushes software talent into seeking less taxing employment. It's no surprise the tech leaders are looking for mechanisms to expand the number of developers, especially outside the development organization.
- **Blurring boundaries between business and IT.** As transformation became a philosophy and not a project, the boundaries between IT and the business have become more porous. While the relationship between business and IT has often been fractious, teams are now finding that they need to collaborate frequently. When [Forrester asked](#) BFSI business and tech leaders in mid-2023 about why their departments were spending more money on technology, 68% of respondents told us that, "technology was too important for the business to not be involved." Jeff Picozzi, Red Hat's product marketing manager for industries and edge, described the relationship shift as, "The line of business is driving the desire; the technical line of business is functioning as the advisor."
- **Heightened security concerns.** Although development organizations are focused on keeping up with demand for new features, [security remains a top concern](#). When in 2023, [Forrester asked](#) financial services and insurance security decision-makers about their top tactical information and IT security priorities, 24% and 16% of those in financial services and insurance, respectively, mentioned improving application security. As timelines are condensed and citizen developers join the fray, IT leaders now have to manage more [novel and ingenious sources of security](#)

risk. Mike Hughes, FintechOS's vice president of product marketing, spoke of these concerns when he said that, "Security is table stakes and always part of the conversation."

Low-Code Adoption Offers Answers To Financial Services Demands

Low-code platforms combine the benefits of packaged applications like loan underwriting, account servicing, and insurance claims with tools to create solutions that reflect what makes a bank or insurer unique. They're also changing the altitude of low-code decision-making. Christophe Birkeland, CEO of the low-code platform Genus, characterized the change when he said that, "Low-code is now a strategic decision and investment direction for financial services firms." Financial services and insurance business technology teams adopt low-code because it:

- **Empowers more developers and increases collaboration.** Business tech leaders must deliver more software-enabled capabilities across the ecosystem. And with the financial services and insurance industries dependent on software to drive business results, the demand for more industry-intelligent apps and professional developers keeps escalating. When in 2023, [Forrester asked](#) developers in financial services and insurance about their low-code development goals, 37% voiced the need to empower departmental IT to deliver apps while 24% cited the need to empower employees *outside* of IT as citizen developers to develop apps.
- **Increases developer efficiency and speeds software delivery.** There are few sectors where the adage "speed is of the essence" is more apt than in financial services. From processing payments and claims to complying with emerging regulations, financial and insurance firms must be agile and adaptable, and that includes their software. At the same time, the sector's cost pressures dictate efficiency in their IT and DevOps. Not surprisingly, 41% of developers from financial services and insurance firms mentioned making application development processes more efficient, while 31% indicated that developing apps faster was among their goals.
- **Enables new ideas, especially in financial products.** What's the secret sauce for competitive differentiation in financial services and insurance? It's product innovation, which in turn needs front-, middle-, and back-office applications that support credit card loyalty rewards, parametric insurance, and robo-advice. The ability to support product and service innovation was mentioned as a goal by 33% of developers in financial services and insurance, while 35% cited the need to develop unique apps for specific business needs.

Financial Services Outpaces Insurance On Adoption And Democratization

Financial services and insurance firms have distinctly different business needs. That means they're leveraging low-code tools differently. While low-code is important in both domains, the two are at distinctly different stages of low-code adoption — and philosophy:

- **Financial services firms use it for innovation and citizen development to increase agility.** In [Forrester's Developer Survey, 2023](#), 36% of professional developers in financial services reported using low-code for 51% to 100% of their development work. Financial services processes like trading, clearing, and funding also depend on high-performance apps. That means their development organizations need reliable tools that execute processes in real time, while still keeping costs low. In [Forrester's 2023 survey](#) of 305 financial services software developers, 26% indicated that “reducing costs” was among their firm's top five business priorities. And 36% of senior developers in financial services view supporting product and innovation as a top goal for adopting low-code. This innovation focus leads naturally to democratization and collaboration: 54% of pro developers in financial services say that their firm has or is working on a citizen developer strategy — and 56% say they've done “most” or “all” of their work in a fusion team collaborating with citizen developers in the last 12 months.
- **Insurance firms use it to increase efficiency and capacity for professional developers.** Insurance firms are slower to adopt low-code than financial services. According to [Forrester's Developer Survey, 2023](#), a mere 13% of professional developers in insurance use low-code for the majority of their work — and no respondents used low-code for more than three-quarters of it. Citizen developer strategies are also much less common: Only 31% have such a strategy or are planning to implement one, compared to 54% in financial services. Legacy infrastructure costs, cost challenges, more demanding customers, and complex processes weigh down insurers. There is also much less pressure to innovate. In turn, this means the key value of low-code for insurance is efficiency for professional developers. When we asked Sean Rowley, cofounder of ManageMy about the low-code platform capabilities most important to customers, he told us, “Dynamic process automation! The ability to make data easier to access and send it to where it needs to be.”

Low-Code Introduces Its Own Set Of Challenges

Our survey and interview data shows that financial services and insurance development teams are eager to launch and use low-code capabilities. But like any approach to

application design and delivery, low-code will test financial services and insurance business technology teams in new ways. For financial services and insurance firms, the challenges include:

- **Good intentions that lack strategy.** Intentions without strategy quickly devolve into chaos. Financial services and insurance business units are embedding and investing in more tech capabilities as functional parts of their teams, including development capabilities as they look to keep up with demand. But merely licensing low-code platforms, whether for pro or citizen developers, **does not make a strategy**. In both inquiries and interviews, we've heard financial services and insurance firms seeking advice about strategy **after the low-code platform was implemented**, leaving IT organizations to deal with apps, workflows, and bots with no unifying alignment that then became "shelfware." Rachita Mehrishi, product marketing manager with Whatfix, highlighted the role of strategy when she said that, "Having pre- and post-deployment strategies ready is what greatly influences the outcome from the investment."
- **Legacy integration problems that thwart low-code modernization efforts.** Legacy applications saddled with unique data formats and languages are rife in insurance and financial services. Long-duration products like life insurance and retirement accounts and long-tailed claims in disability create thorny modernization and integration challenges. Modernizing these vintage applications by integrating modern low-code applications can be daunting, thanks to hard-coded customizations, lost skills, sparse documentation, and a lack of modern APIs. An executive with a leading European bank highlighted the legacy system implications when he said that, "We are a bank, so we have a lot of proprietary and legacy systems which have nothing for us to low-code."
- **Insufficient governance which increases risk.** The early adopters of citizen development are reaching significant scale. Thousands of business users are creating new applications and continuously adapting them. This means application risks are exploding, even when using mature low-code platforms. Those risks go beyond the obvious app security risks. One leading bank received a hefty surprise invoice from a middleware vendor to cover usage charges incurred when a citizen developer unknowingly connected to the middleware vendor's software platform.

Adopt Low-Code But Have A Plan

Low-code solves a lot of business and technology challenges within the financial services and insurance industries. But business and development decision-makers can't let low-code loose into the wild. For successful low-code initiatives, you will need

to:

- **Define your goals — and create a plan to attain them.** If your goal is efficiency and adaptability for professional developer teams, you must select a product [suitable for that persona](#), adjust [your processes](#) to take full advantage of the speed benefits, and measure and communicate the delivery improvements. If your goal is to drive innovation, you must embrace both citizen development and fusion teams, and set specific change management goals for business adoption and apps delivered through these mechanisms. You must appoint someone to lead the strategy — the passive approach does not work.
- **Establish a governance strategy.** If scaled decentralization and democratization of development is your goal — govern it! Citizen development actually decreases enterprise risk when it's a conscious strategy with guardrails, processes, and ownerships versus tacitly allowed shadow IT. But governance requires distinguishing [the risk profile of use cases](#), the processes to go with them, evangelization of the program, and a sharp focus on change management. The correct approach is to treat citizen development as a [product](#), with its own adoption curve.
- **Aggressively adopt continuous models for security and testing.** Going faster means nothing if it results in low quality and security holes. Avoid antiquated testing models that create bottlenecks, and embrace QA that is [continuous and incremental](#). Continuous testing enables fast feedback early, reducing wasted time and effort and speeding up delivery. Likewise, embed security into the development workflow to identify security weaknesses early and prevent new ones.
- **Stay on top of TuringBots for both low-code and high-code.** [AI-assisted application development](#), aka TuringBots, is taking the high-code world by storm, and every low-code vendor is investing in TuringBots to support the use of its own tools. This mega-trend comes with both benefits and complications. The [TuringBot trend](#) and the growing demand for AI-infused-applications will [grow the low-code market](#). But highly conservative and regulated financial services and insurance firms exclusively interested in faster coders (not citizen development, fusion teams, or low-code's other benefits) should also pay close attention to TuringBots for high-code development. Over time, TuringBots may make high-coding just as fast as low-code development — [but the answer will take years to fully emerge](#).

Supplemental Material

Companies We Interviewed For This Report

We would like to thank the individuals from the following companies who generously gave their time during the research for this report.

4Paradigm

Appian

Betty Blocks

ClickPaaS

Coherent

DefineSys

Duck Creek Technologies

Equisoft

FintechOS

Genus

Guidewire

InRule Technology

Intellect Design Arena

Kissflow

A leading North American life insurer

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