



DIGITAL TRANSFORMATION AND BANKING SECTOR: A BIRD EYE VIEW

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ABSTRACT

The article aims at defining digital transformation in the banking industry, outlining what banks and Fin. Tech companies are both developing in the market, and also pointing out that it is not going to be the technology itself that will be the disruptor of the banking industry, but rather how firm deploys the technology that will cause the disruption. Digital Transformation is far beyond just moving from traditional banking to a digital world. It is a vital change in how banks and other financial institutions learn about, interact with and satisfy customers. An efficacious Digital Transformation begins with an understanding of digital customer behavior, preferences, choices, likes, dislikes, stated as well as unstated needs, aspirations etc. And this transformation leads to the major changes in the organizations, from product-centric to customer-centric view. Each and every day, new devices / technologies are providing various customer touch points. Every time customers touch a computer or a screen, they are providing an information trail and it's banks' responsibility to understand how they use this trail to move their bottom line upwards. Traditionally, banks spent most of their efforts, time and money on transaction execution, which is nothing but has become a very basic feature of their overall service. While providing expedient, consistent and precise transaction processing ability is still critical, we believe that banks can learn from how retailers see the customers' journey through an Omni-channel lens. Banks now need to rethink the way customers are being valued, may be from the angle of the industries that greatly value customer experience. Digitalization is changing the rules of the game in many industries through possible disruptions of business models, and these results in the emergence of a much more complex and dynamic ecosystem for growth and innovation in Banking Industry.

Keywords: Digitalization, Digital Transformation, Fin. Tech, Retail Banking, Business model, Incumbents, Innovation

I. Introduction: As the coronavirus continues to spread around the world, more and more organizations will miss their financial targets because of strategic and operational disruptions and dampened customer demand. It's also unclear how long COVID-19 will last. But one sure thing is here — this will not be a short-term event with fewer consequences. Industries, such as banking, should prepare for the long haul. However, the software revolution which has already disrupted many industries and has made some industries essentially obsolete is still rapidly transforming the financial services industry. Digital transformation in banking has already started, and now we can see some changes like 24/7 online banking and instant transactions. Still, the process in this sphere is quite slow. To begin a journey to digital transformation, institutions have to develop a detailed strategy to change their distribution model, revise and enhance value offers, as well as develop end-to-end customer-centered processes that can result in growth and customer satisfaction. There are a number of technologies available nowadays that can help in the process of the digital transformation of the banking field. Good digital transformation banking strategy should include relevant technologies that can bring the most value for both the bank and its customers.

II.

III. Meaning of Digital Formation: A digital transformation is the up-gradation of existing processes or introduction of new ways of carrying out business activities using digital technologies that enhance a customer's experience and leads to higher conversion rates for the company. Digital



transformation means redefining business processes in this new digital era. The four main areas of digital transformation are process, technology, data, and organizational change. Whereas, the 3 main components of digital transformation are rebuilding the operations, rebuilding relations with customers, and rebuilding procedures.

IV. Need & Importance of Digital Transformation in Banking Sector

Digital transformation in the banking sector has fundamentally changed how banks operate and how they service their customers. And as we saw earlier, it's going to further change and become more and more personalized with time. Traditional banking systems are for the past now. They consume a significant amount of time and require a lot of manpower. Execution of processes is tedious. This suggests a need for digital transformation to fasten and ease the tasks. Not to forget how covid-19 has changed the scenario. With lockdowns being imposed and the security of our health getting worse, people have adopted net banking and prefer carrying out every single banking activity at the tip of their fingers. The solution to this is undoubtedly going towards digitalization. In fact, the next generations are going to be early adopters of the Internet and are going to be a part of the already digital world. The digital wave that we have experienced in our teens or late 20s, is going to be available to the next generation much in advance. They are practically going to grow up with it. Thus, to be able to cater to them in the future, the digital transformation of banks needs to start today.

As much as people need banks, it is also vice versa. Private banks are coming up with value-additions year on year, thus to compete with them, it is important that every bank adopts digital transformation. All these factors suggest that India's banking sector is set for robust growth. Banks that undertake this transformation can expect reduced costs and streamlined processes. This integration also helps to provide a more hassle-free and engaging customer experience. There is a severe need to digitally upskill your employees to keep up with this rapidly changing online space. Now that you have understood the importance and need of digitalization in the banking sector, let's quickly see the benefits of digital reform.

V. Digital Transformation in Banking Industry: To keep it simple, it is the integration of digitalization into every area of banking. This integration leads to fundamental changes in how the financial institutes operate and deliver value to its' customers. Examples of a digital transformation in banking are online banking applications, Fraud detection systems, virtual assistants, Website Optimization, Email Marketing, Data encryption, KYC software, and more. Digital transformation banking strategy should include relevant technologies that can bring the most value for both the bank and its customers. The future of digital banking transformation is impressive, and it is predicted to entirely change the image of traditional banks, as well as bring more services to the customers.

VI. Trending technology solutions for Digitalisation

1. Artificial Intelligence

AI in banking is represented by chatbots or online assistants that help customers with their issues by providing necessary information or executing different transactions. Apart from this, AI can be used for the purpose of data analysis and security. For instance, identify money laundering by analyzing customer data within several seconds.

2. Blockchain

The implementation of block chain in banking can result in a better interface, more accuracy, and secured data and transactions. In addition, blockchain solutions will make transactions and different operations transparent, facilitating collaboration. There will be no need for the intermediation of the third parties, thus bringing up the level of trust from the customers. It can also influence cloud technologies and move to decentralized ones, which will result in higher protection of the data and funds.



3. Internet Of Things

IoT is helpful with real-time data analysis, thus makes the customer experience more personal, and banks are able to provide individually-tailored offers. What is more, thanks to wearables, customers can easily and seamlessly make contactless payments. Apart from this, IoT is helpful with risk management and access to platforms; the authentication process can be supported by biometric sensors that make access more secure and protected.

4. Cloud Computing

Cloud computing is another technology that can help banks become more efficient and gives them a chance to provide more innovations, as well as have better productivity, improve operations, and instantaneously deliver products and services. Cloud computing, as well as IoT, can help with risk management and create a secure environment for the customers and internal bank systems.

All in all, the digital transformation of the banking field will bring great innovations that will change the image of banks we know nowadays. Technologies bring numerous opportunities both for banks and their customers by securing personal data, increasing transparency, and giving a chance to manage funds anytime and anywhere.

VII. Future of Digital Transformation in Banking Sector in India

According to Economic Times, the pandemic has completely reshaped the way people execute things in their life, right from shopping & working to banking specifically. Many evolutionary changes are expected to come in the future of digital banking. Some consumers will expect completely autonomous banking processes due to lack of time and knowledge whereas a few will still vouch for high-level involvement. Thus, the future shows banking sectors to be highly adaptive. As stated by Deloitte, the future of digital banking is placing customers at the center of every digital strategy and banks must instrument these from today to be able to seamlessly integrate by the year 2030. Few years down the line, banks will have to profile their consumers very carefully and closely to be able to meet the regulatory requirements as well as offer extra services which are valuable to the consumers. Data-driven solutions have already caught the attention and are the future of banking. The use of Artificial Intelligence, AR, distributed ledger technology, and automation will further emerged personalize the process of banking.

VIII. Benefits of a Digital Transformation in Banking:

Convenience

Personal and company bank accounts are available at any device, the only things you need are an Internet connection and a few taps on the screen. This brings more customer satisfaction as they are able to constantly keep on track of their account balance and manage the information on their personal profile (add new mailing address, e-mails, telephone numbers, etc.). In addition to this, there is no need to go to the bank to get checks as they can be instantly sent to your email address.

24/7 Service

Online banking services are available 24/7 all year round, even at the weekends. There is no need to stay in lines and wait for the bank to open in order to conduct certain operations. It's a huge advantage that comes with digital solutions.

Time-Saving

Another advantage, you save a lot of time as you have access to the account from home. It is extremely convenient as previously you could waste an hour or two at the bank to make simple operations, and now it is done seamlessly from home or any other place where there is an Internet connection.

Automated Transfers

Direct banks can provide unlimited automated transfers (accept payroll deposits or provide automatic bill payment) with no additional fees for the services even to outside financial institutions



Easier Management

Online accounts can be easily managed, although they require more information than traditional banks. Customers can add information themselves or directly contact online assistants to provide support on the current issue. What is more, payee information is retained within the system, there is no need to re-enter data for the following payments, etc.

Trustworthiness is gained online

Nowadays, people choose their banks depending on how they perceive the institution. Their perception is shaped by the way a financial institution positions itself online. People are influenced by social media platforms, through websites and advertisements. If banks are able to do some good online marketing, it will help them build trust in people's eyes.

There are several ways to build a relationship with a customer but there is one particular strategy that has produced great results is Online Reputation Management.

Acquisition of new customers is cheaper and easier

Banks require customers just as much as customers require banks. Therefore, financial institutions can no longer be passive about the way they attract consumers of financial services. The good news is, there is a cheaper and easier way to attract these customers towards you.

The Internet provides great platforms to reach out directly to these potential consumers, right on their devices. This makes influencing them easier, which in turn leads to an increase in the possibility of them coming to you. It's also called Content Marketing and is the new word of mouth. It helps to boost engagement and earns trust with both prospects and customers.

Personalized Offering

Digital transformation allows financial institutions to know what the people actually want. They can formulate their financial services and offer according to customer requirements rather than guesswork. New innovative technological developments allow banks to strengthen customer engagement with personalized offerings.

Enables Innovation & Adaptability

Digital Transformation equips banking institutions to act upon technology and market trends and scale these efforts with gradual successes. Only if an institution is able to upgrade itself, will it be able to cater to the demands of the new-age customers. Sophisticated digital technologies have transformed the traditional way that banking was done. The emergence of shopping portals, social channels, and integrated mobile apps has opened a lot of doors for banks to reach out to their customers. Banking institutions need to embrace this new world of digital by moving towards a digital transformation. Here's an interesting stat; Millennials are more likely to watch a 3 minute Youtube video than read a long pamphlet. That means videos are becoming more and more popular as they are concise and engaging. Along with videos, there are many other forms of Digital Marketing that brands have started adopting. Here are some digital marketing trends that can be capitalized upon in your plan for Digital Transformation.

VIII. Disadvantages

Although the advantages are impressive, and they facilitate the work to a great extent, there are still some disadvantages that follow the process. Here are the main ones:

Security Issues

Cyber security is one of the most important issues that companies and institutions are struggling to overcome. Even sophisticated software that protects tentative data cannot completely protect accounts from scammers, phishing, hacker attacks, etc.

Services

Nowadays, not all banks can offer a wide range of online services. Still, there are some that require your presence at the traditional banks.



Transactions

Complex transactions may also require the presence at the bank office. Also, international transactions are not possible with all digital banks.

The number of disadvantages is rather low, and it's only a matter of time for them to disappear. Advantages take over disadvantages and make daily operations much easier, reduce costs, save customer's time, and manage to provide services efficiently.

Conclusion: To conclude, the future of banking is filled with digital transformation in almost every vertical, and the sooner the adaptation is implemented, the better banks will be able to compete.

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