

DIGITAL TRANSFORMATION IN BANKING

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Abstract: Digital transformation in the banking sector is a continuous process that affects both the external and internal environment by redesigning internal processes and existing methods. There are many reasons that digital transformation takes place, such as servicing remote areas without physical branches, differentiation from competitors or reduction of operating costs. In any case, there are a lot of doubts about the acceptance of digital technologies. The use of digital technology to improve present processes or introduce new methods of conducting company operations, which improves the customer experience and leads to better currency exchange rates for the firm, is referred to as digitalization. Digital transformation in digital age means redesigning corporate procedures. The four main parts of digital transformation are technology, software, data, and organizational reorganization. In India's banking system, banks play a critical role. They are in charge of managing public finances and investing in the expansion of business and trade. In emerging countries like India, where other financial sectors are still in their infancy, the banking industry accounts for the majority of the financial sector. Banks' stability is vital since they act as trustees of public funds, mobilizers, and funders of various operations at the regional and international levels. The banking business has grown from a basic middleman to a vast commercial enterprise..

Key Words: Digitalization, ICT, Rural Area, Bank Transformation and Banking Sector.

Introduction:

The banking business is through a critical transition period in which all working visions are rapidly changing, and technology is the most powerful force, allowing banks to compete by combining knowledge with new goods or services. As a result of the extensive use of information technology at home and at work, many tasks are now done electronically. The Indian customer is slowly but steadily converting to electronic banking. The use of ATMs and the internet is becoming more common. The biggest issue facing banks is how to protect their diminishing profitability as a result of competition. Technological progress is critical not only for improving services but also for maintaining a robust client base. It has changed the way people promote, advertise, distribute, price, finance, and save money by using electronic channels and items.

Evolution of digital transformation in banking

The current coronavirus pandemic has highlighted the need for financial institutions to accelerate their digital transformations in banking. But to keep up with changing times and stay ahead of potential future disruptions, the banking industry needs to adjust business models for both front-facing and back-office operations. Adopting the latest technologies, including block chain, cloud computing, is at the foundation of true digital banking and a full transformation.

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. 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 tasks. 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 after 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 up skill your employees to keep up with this rapidly changing online space.

4 Benefits of a Digital Transformation in Banking Sector

➤ 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.

➤ 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

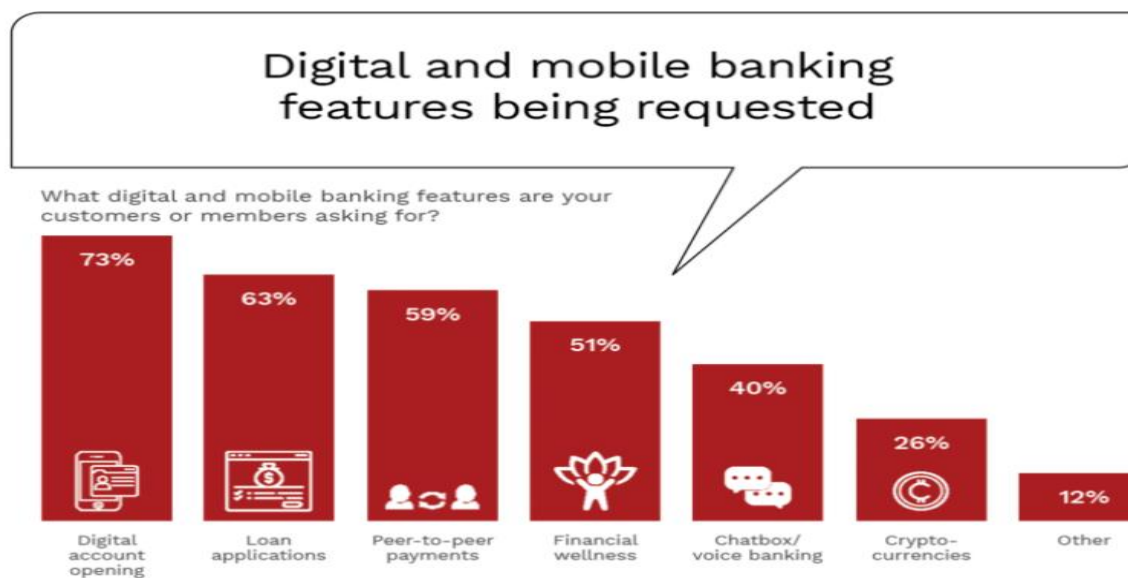
Digital Transformation equips banking institutions to act upon technology and market trends and scale these efforts with gradual successes. Only if an institution is able to upgrade itself, will it be able to cater to the demands of the new-age customers. Sophisticated digital technologies have transformed 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. Along with videos, there are many other forms of Digital.

Top 10 digital trends for the banking industry:

It can help you plan your digitization efforts for the next few years to design successful products.

❖ One-stop shop platforms for comprehensive services

Modern users have too many programs on their smart phones to keep multiple financial apps. Therefore, they prefer providers with all critical products in one platform. Recent research on the trends in digital banking showed that 73% of clients request digital account opening from banks. 63% need loan functionality, and 59% would like P2P payments. Some other top choices are financial wellness, chat box/voice banking, and crypto currencies.

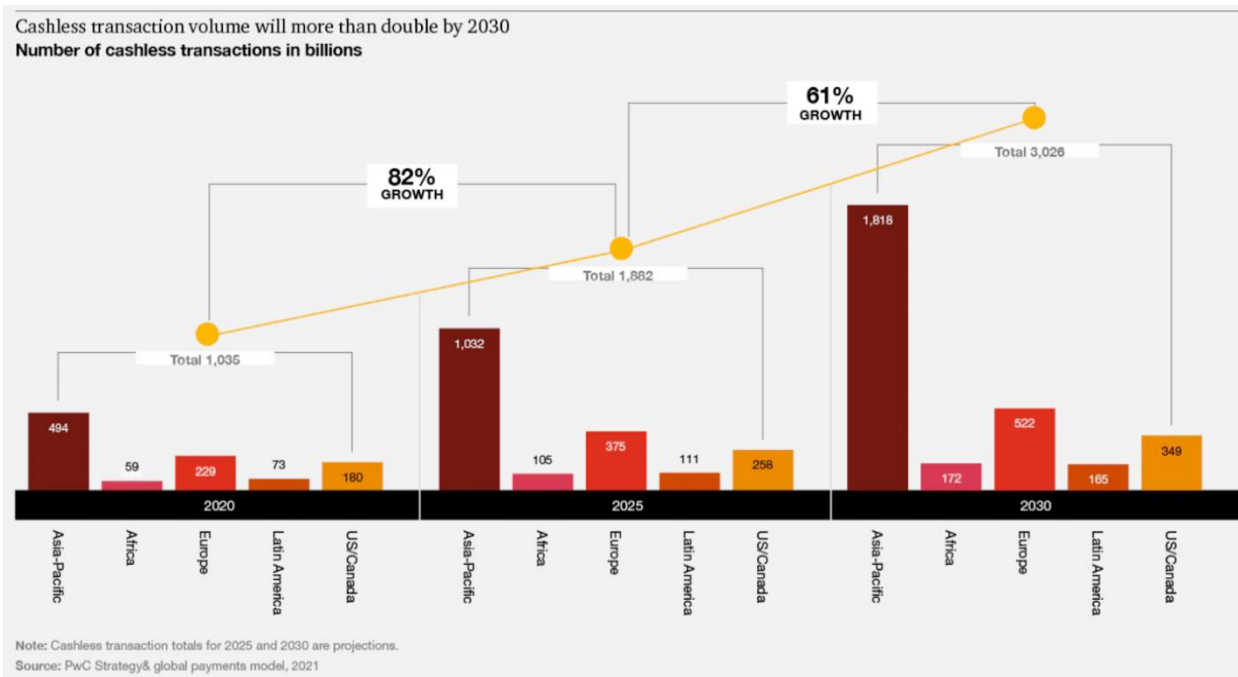


❖ AI virtual assistants and voice commands for instant customer support

Many major banks are launching virtual assistants to help clients manage online banking inquiries. These assistants use the power of artificial intelligence to complete basic tasks and personalize banking services. Many of them you can control with voice commands, another emerging digital banking trend. The solution by Chase Digital is one of the decent examples of digital bank assistants. It can help you pay bills, transfer money, check your account balance, and view investments. You can lock or unlock credit/debit cards and manage other regular tasks. 2023 will likely see more virtual assistants, both in-app and voice-controlled.

❖ Cashless payments for convenient transactions

Cashless transactions offer the speed and convenience every customer wants. Developed countries such as Sweden, Norway, and the Netherlands may soon become cashless. The UK, Canada, and the US report the growing use of digital wallets and contactless tap-to-pay cards. Mainland China and India, on the other hand, adopt QR code technology for mobile wallets, digital payments, and super apps. This way, the cashless trend thrives globally. By 2023, the cashless transaction volumes will more than double .



❖ Self-service channels for small and medium corporate clients

Self-service is the future of digital banking. The pandemic has shown that small- and mid-sized businesses need the same self-service options as large clients. They want to integrate digital services through APIs into their platforms instead of going to a different platform. It allows businesses to optimize their internal operations and enhance performance.

Corporate executives are only moderately satisfied with digital self-service channels—some have not even experienced them yet

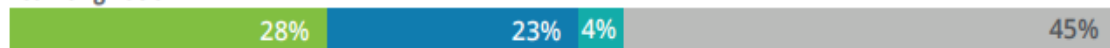
Satisfaction with digital self-service options at the company's primary bank in the last year

- Satisfied or very satisfied ■ Neutral ■ Dissatisfied or very dissatisfied
- Did not experience or the bank did not offer the service digitally

Issue resolution



Loan origination



Account opening and onboarding



❖ Mobile banking keeps prevailing over web solutions

In the US, 90% of Gen Xers prefer Smartphone banking. The rate among elderly Americans is also high – 50%. To attract customers, you need a mobile app that outperforms competitors' solutions or is at least as good as theirs. A web platform is also necessary, but it's an addition to the mobile solution. Digital banking is transforming, and consumers ask for mobile apps that handle every banking operation. By 2034, bank branches could be extinct . So you'd better start catching up with the tech trends in online banking now.

❖ Investment in front-to-back modernization

In 2023, more banks will invest in front-to-back modernization to grow efficiency. They also power the modernization with low-code/no-code application platforms, RPA, and cloud migration to reduce inefficiencies. For example, Seacoast Bank developed ML models that estimate the CLV (customer lifetime value), entering every detail from teller costs to the probability of attrition. After an automated estimate, the system highlights the opportunities to reduce costs or improve customer engagement.

❖ More banking apps for unbanked and under banked

The US has the highest immigration rates. By moving to developed countries, immigrants get an opportunity to gain more financial stability, yet they also face many limitations, including inaccessible banking services. As a result, roughly 19% of the US population is underbanked or fully unbanked. It creates a tremendous demand for alternative digital banking services that allow the unbanked and underbanked to send and receive money. Digital banking providers take steps to satisfy this demand. Simba is one of the cases. This app offers instant transfers and a branded VISA card after a quick registration. Since No SSN or ITIN is required, everyone can apply. Non-US citizens only need to indicate a passport and a US address. Such banking apps also support international transfers without exchange rate markup, becoming a perfect solution for immigrants. And as the immigration rates grow, we may see new apps for the unbanked and underbanked in 2023.

❖ Spread of digital currency to retail

Blockchain, crypto, and other digital currencies are only gaining popularity as alternative payment methods among retail companies. Yet the adoption rates may speed up in the future. According to the Deloitte survey of US retailers, three in four respondents will start accepting digital currency payments within the next two years.

Retailers are getting ready to accept digital currency payments



87% of the surveyed retailers believe that organizations that support digital currencies have a competitive advantage. That's the main reason to implement digital currency payments in your online store, along with an increased reach. Such innovation will allow you to cover more potential leads by serving those who use digital currency wallets.

❖ Omnichannel services organized around the customer

Omnichannel tendencies are strong in many industries, and digital banking is no exception. With the transition to online banking, customers use more channels to interact with a financial organization. That's why digital banks that want to keep customers satisfied must ensure a consistent omnichannel customer experience. You must invest in UX analysis to ensure quality user experience across every channel. It helps detect bottlenecks and pain points to enhance the design. The quality integration between channels is also essential as it allows you to gather all data related to one customer in a single admin platform.

❖ Biometric security adoption to protect user personal data

Biometric security is one of the newest digital technologies for banks. While cyber-attacks keep growing, financial organizations seek new ways to prevent data leakage and unauthorized access. Biometric user identification is a good solution since it uses unique data. Falsifying a fingerprint or voice model is much more complex than guessing the password to access an account. This and other benefits of biometric scans make financial organizations implement biometric security checks in digital banking apps. Users only need to put their finger on a scanner or look into a camera to authorize. As more people get smartphones with facial or touch recognition, this technology becomes available to a larger audience. This is another reason biometric security solutions will become more widespread in 2023 and beyond.

Conclusion

With the increasing usage of smart phones, digitalization of banking sector is inevitable to catch up the increasing expectations of the world. It indeed reduced human errors and increased convenience. With the help of digital banking, most businesses do not have to rely on the bank operation timings. As a result, the businesses are able to save a lot of time on the manual processes and this has a great impact on their productivity. The number of customer base has also increased because of the convenience in 'Anywhere Banking'. Digitalization has reduced human error. It is possible to access and analyze the data anytime enabling a strong reporting system. Digital banking is converting the brick-and-mortar banks into more greener and efficient places to operate.