

DIGITAL TRANSFORMATION IN FINANCIAL SERVICES: OVERVIEW OF BEFORE AND AFTER THE PANDEMIC

R.RAMAPRABHA

Assistant Professor&Research Scholar,

Vidhya Sagar Women's College. Chengalpattu

Dr. B. VIJAYAKUMAR

Associate Professor & Research supervisor ,PG & Research Department of Commerce,

Dwaraka Doss Goverdhan Doss Vaishnav College (Autonomous), Chennai – 600 106.

Abstract

This research examines the significant impact of digital transformation on the financial services sector, focusing on evolutionary changes that occurred before and during the worldwide pandemic. The core goals are to assess the scope of digital transformation in financial institutions, identify important obstacles and possibilities, and examine the techniques used to manage the changing landscape. Data were gathered from a varied group of financial institutions to ensure a complete picture of the sector. The findings show a large increase in digital use before the pandemic, with the pandemic acting as a catalyst for digital activities. Data-driven methods were critical for improving client experiences, increasing operational efficiency, and resolving cyber security issues. The conversation focuses on the industry's resilience in the face of enormous shocks, highlighting the vital role of technology in crisis management. Significant results include a growth in remote banking services, a greater dependence on artificial intelligence for fraud detection, and the adoption of cloud-based solutions for scalability. These findings illustrate the revolutionary impact of digital technology in altering the financial services industry. This comprehensive overview contributes to our understanding of the dynamic relationship between digital transformation and the financial services sector, providing valuable insights for industry stakeholders, policymakers, and researchers.

Key Words: World Pandemic, Operational efficiency, Financial Institutions, Stakeholders, Artificial Intelligence

Introduction:

The financial services company has always been at the forefront of technological innovation, aiming to improve operational efficiency, enhance user experiences, and remain competitive in an increasingly digital world. However, the commencement of the COVID-19 epidemic provided unprecedented challenges and opportunities, prompting a reconsideration of digital strategy and hastening the pace of transformation across the industry.

Prior to the pandemic, financial institutions were already dealing with the digital imperative, investing in technologies like artificial intelligence, block chain, and data analytic to expedite operations and provide novel goods and services. Nonetheless, the pandemic acted as a wake-up call, revealing flaws in old corporate structures and emphasizing the crucial need for digital agility and resilience.

As lockdown and social distancing methods pushed physical branches and offices to close, consumers resorted to digital channels for their banking and financial requirements, increasing the trend toward online and mobile banking. Faced with this seismic shift in consumer behaviour, financial institutions were forced to quickly adjust, adopting remote working solutions, strengthening cybersquatting safeguards, and redesigning client interaction tactics.

In this article, we will look at the changing landscape of digital transformation in the financial services industry, examining the key drivers and trends that shaped the industry just before the pandemic and how the crisis has shifted priorities and accelerated the adoption of digital technologies. From the rise of contact-less payments to the introduction of digital-only banks, we investigate the revolutionary influence of the epidemic.

Review of Literature:

Kamakodi et al. (2008): The author explained that human service in Indian banking falls short, whereas IT-based facilities exceed expectations. Qureshi T. M., Afar M. K., and Khan M. B. (2008) found that users embrace internet banking due to its usefulness, security, and privacy. Uppal According to R. K.'s (2010) research, ATM are more successful than mobile banking in public sector banks. Additionally, mobile banking has a higher client base in E-Banks, leading to increased net profit and business per employee. Mithra (2011) provided helpful guidance to ensure the safety of internet-based transactions (IBT).

Thomas Erl et al. (2013): They provide an in-depth exploration of cloud computing concepts, technologies, and architectural principles. They discuss various cloud deployment models, service models, and security considerations and offer guidance for organizations looking to adopt cloud-based solutions in the financial services industry.

Brett King (2018): The author provides an in-depth analysis of the digital transformation trends reshaping the banking industry before the pandemic. King discusses the rise of digital-only banks, fin tech disruption, and the increasing importance of mobile banking apps in driving customer engagement. He also explores the role of emerging technologies, such as artificial intelligence and block chain, in transforming traditional banking processes and business models.

Oliver Wyman (2019): Wyman provides insights into disruptive innovations shaping the future of financial services. The authors discuss trends such as the bundling of financial services, the rise of digital-native challengers, and the increasing importance of customer experience in driving competitive advantage. The report also explores strategies for traditional banks to navigate digital transformation and remain relevant in a rapidly changing landscape.

Laura Philipp et al (2021): They examine the impact of the COVID-19 pandemic on digital banking and customer experiences. The article discusses how banks have adapted their digital strategies to meet changing consumer

preferences and behaviors during the pandemic. It also explores the role of Digitalization in enhancing customer engagement and loyalty midst the crisis.

The Purpose of this study:

The purpose of the study on digital transformation in financial services, comparing the landscape before and after the pandemic, is to:

Digital Transformation in Financial Services: Impact of COVID-19

- To analyze trends, challenges, and responses to understand the impact of the pandemic on digital transformation in the financial services sector.
- To identify Patterns and Trends and Compare per-pandemic data with post-pandemic developments to identify shifts in priorities, emerging technologies, and best practices.
- To evaluate the impact of digital transformation on customer experiences, operational efficiency, regulatory compliance, and competitive dynamics.
- To provide insights and recommendations to stakeholders for strategic decision-making.
- To generate new insights and perspectives on digital transformation in financial services.
- To foster collaboration and knowledge-sharing among industry stakeholders.

DIGITAL TRANSFORMATION TRENDS:

Before the pandemic and after the pandemic, digital infrastructure trends in various industries, including finance, have evolved in response to technological advancements, changing consumer behaviors, and global events. Here's a comparison of digital infrastructure trends before and after the COVID-19 pandemic:

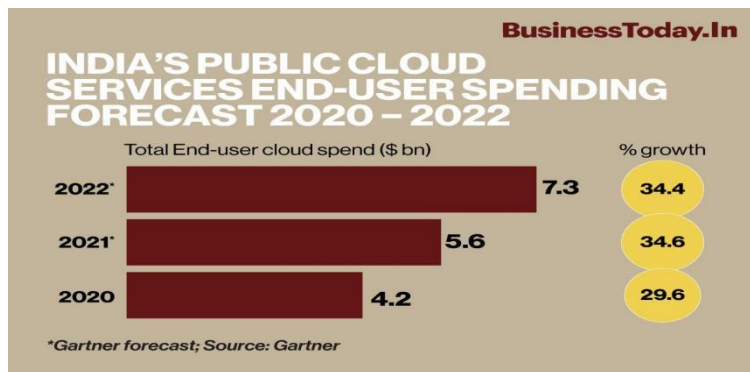
Before - Pandemic Digital Transformation Trends:

Before the pandemic, financial institutions were already investing in digital infrastructure, mobile banking apps, and online payment solutions to meet the growing demand for digital financial services. Consumers were increasingly adopting digital channels for convenience, accessibility, and personalized experiences. Fin tech startups were disrupting traditional banking models, challenging incumbents to innovate and adapt to changing market dynamics.

Before the Pandemic:

1. Gradual Adoption of Cloud Computing:

Prior to the pandemic, many firms were progressively using cloud computing solutions for data storage, processing, and application hosting. However, adoption rates vary, with certain businesses being more cautious owing to security concerns and old systems.



2. Mobile Optimization and App Development:

Before the pandemic, there was a growing emphasis on mobile optimization and the development of mobile applications across industries. Companies recognized the importance of providing seamless mobile experiences to meet the preferences of consumers who increasingly relied on smartphones and tablets for accessing services and information.

3. Exploration of Emerging Technologies:

Industries were looking at new technologies like block chain, artificial intelligence, and the Internet of Things (IoT) to increase operational efficiency, improve consumer experiences, and drive innovation. However, the adoption of these technologies was still in its early phases, with firms experimenting with proof-of-concept and pilot programs.

4. Focus on Data Security and Compliance:

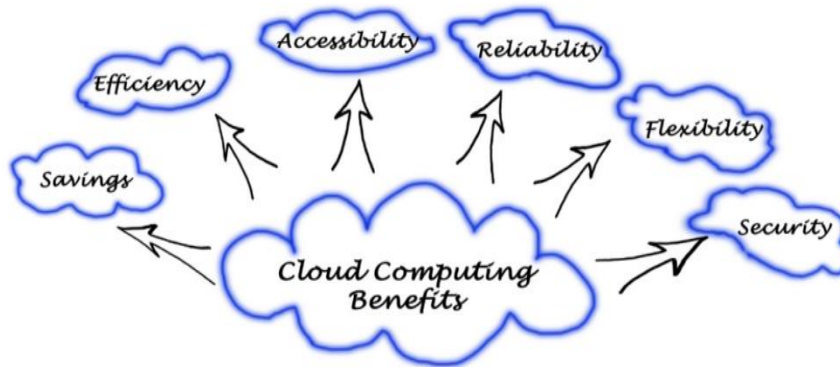
Data security and compliance remained top priorities for organizations, especially in highly regulated industries such as finance and healthcare. Companies invested in robust cyber security measures, encryption technologies, and compliance frameworks to protect sensitive data and mitigate regulatory risks.

Post-pandemic Digital transformation trends in financial services:

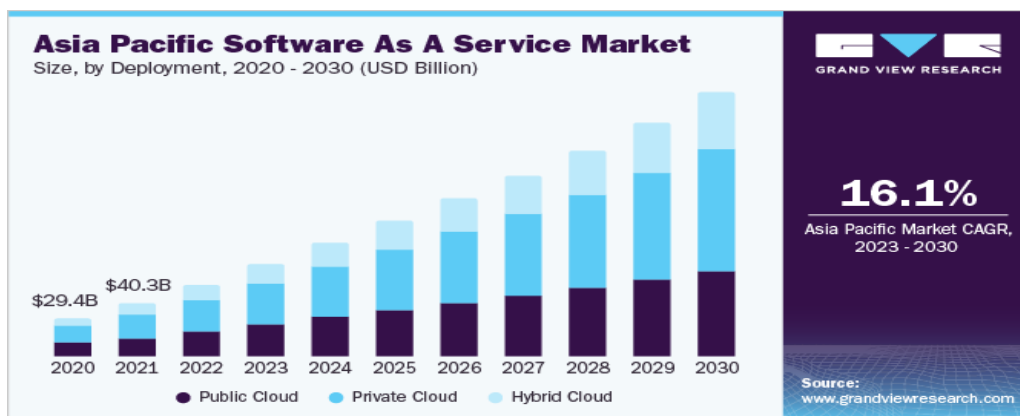
Post-pandemic technological trends in the financial services industry are being driven by a mix of shifting customer habits, technical breakthroughs, and regulatory changes. Financial institutions that embrace digital innovation, agility, and customer-centricity will be well-positioned to succeed in the shifting digital world and fulfill the changing requirements of their clients in the post-pandemic period.

After the Pandemic:

1. Accelerated Migration to the Cloud:



The COVID-19 pandemic accelerated the migration to cloud computing as organizations sought flexible, saleable, and cost-effective IT infrastructure to support remote work forces and digital transformation initiatives. Cloud adoption surged across industries, with businesses prioritizing cloud-based collaboration tools, remote access solutions, and software-as-a-service (SaaS) applications.



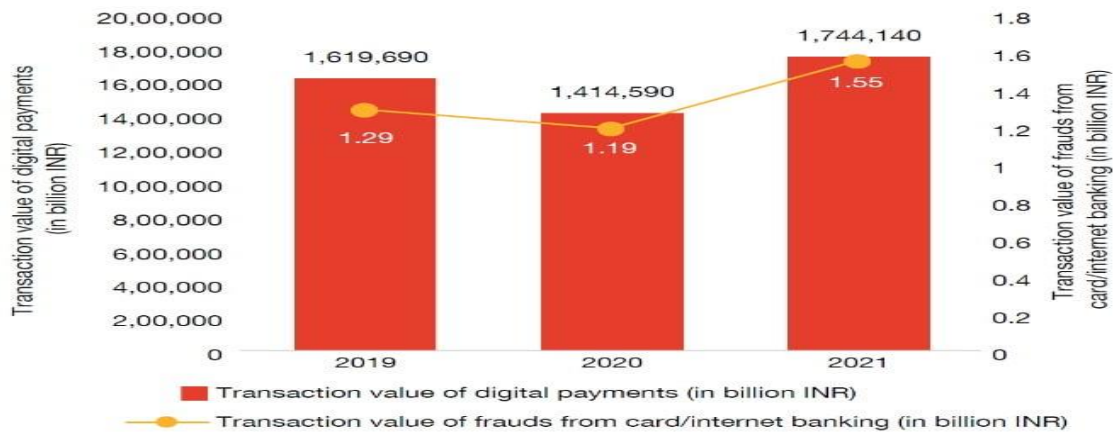
while many digital infrastructure trends were already emerging before the pandemic, the global health crisis acted as a catalyst for accelerated adoption and innovation across industries. Organizations that embraced digital transformation, cloud computing, and cyber security best practices were better positioned to navigate the challenges and opportunities presented by the pandemic and drive sustainable growth in the digital age.

2. Rapid Expansion of Digital Services:

The pandemic prompted a rapid expansion of digital services and online platforms as businesses adapted to social distancing measures and shifts in consumer behavior. Industries such as finance, retail, healthcare, and education invested in digital channels, e-commerce platforms, and virtual collaboration tools to maintain operations and meet customer demands in a remote-first environment.

3. Increased Investment in Cyber security:

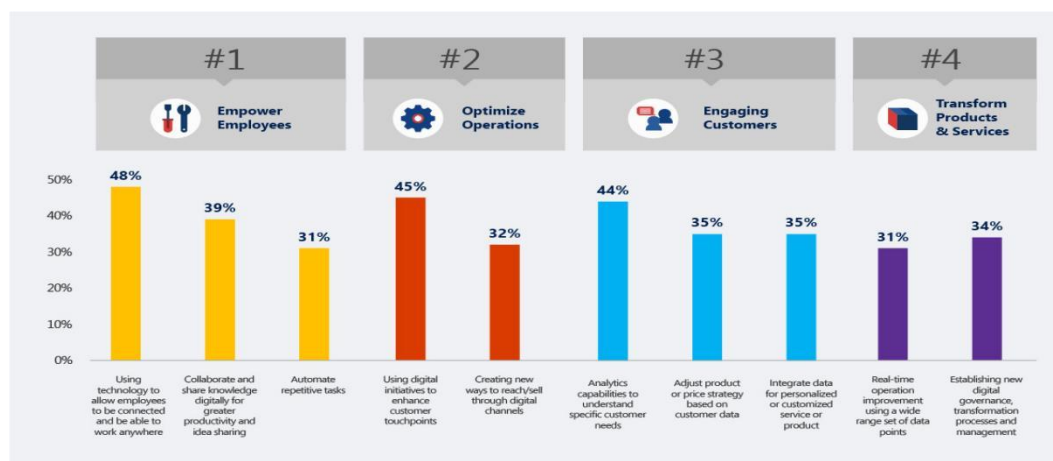
With the increase in distant employment and internet engagement, Cybersquatting has become even more important in the post-pandemic period. Organizations increased their investment in cybersquatting technology, threat intelligence, and employee training to safeguard against cyber threats, data breaches, and phishing assaults aimed at remote workers and digital assets.



According to the Reserve Bank of India's (RBI) Annual Report 2021-22, the number of frauds recorded by Financial Institutions (FIs) utilizing cards and online banking was 34% higher in 2021-22, at 3,596, compared to 2,677 in 2019-20. The value of fraudulent transactions in 2021-22 was INR 1.55 billion, 20% more than in 2019-20 (INR 1.29 billion). In terms of value, credit card and internet scams accounted for 0.2% of total fraudulent transactions. Overall, payment fraud as a proportion of all digital payments in India has risen from 0.008 percent in 2019-20 to 0.0089 in 2021-22.

4. Embrace of Digital Transformation:

The pandemic accelerated the pace of digital transformation across industries, compelling organizations to digitize processes, automate workflows, and innovate at scale. Companies adopted agile methodologies, Develops practices, and cross-functional collaboration to accelerate time-to-market and deliver value to customers in a rapidly evolving digital landscape.

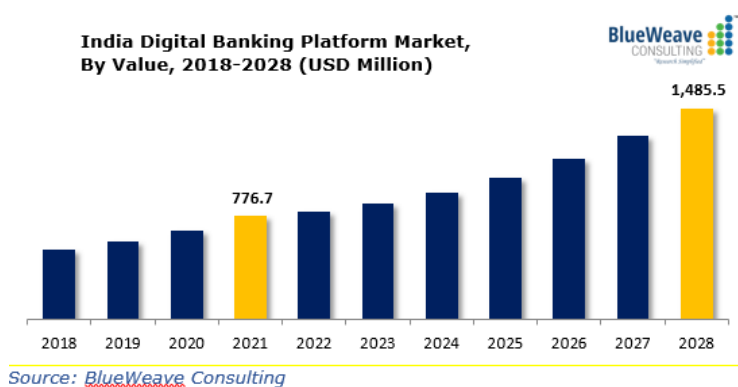


IMPACT OF DIGITAL BANKING BEFORE AND AFTER PANDEMIC

Prior to the COVID-19 pandemic, financial institutions had already embarked on various digital initiatives aimed at improving efficiency, enhancing customer experiences, and staying competitive in an increasingly digital landscape. Some of the key digital initiatives undertaken by financial institutions before the pandemic include:

1. Online Banking Platforms:

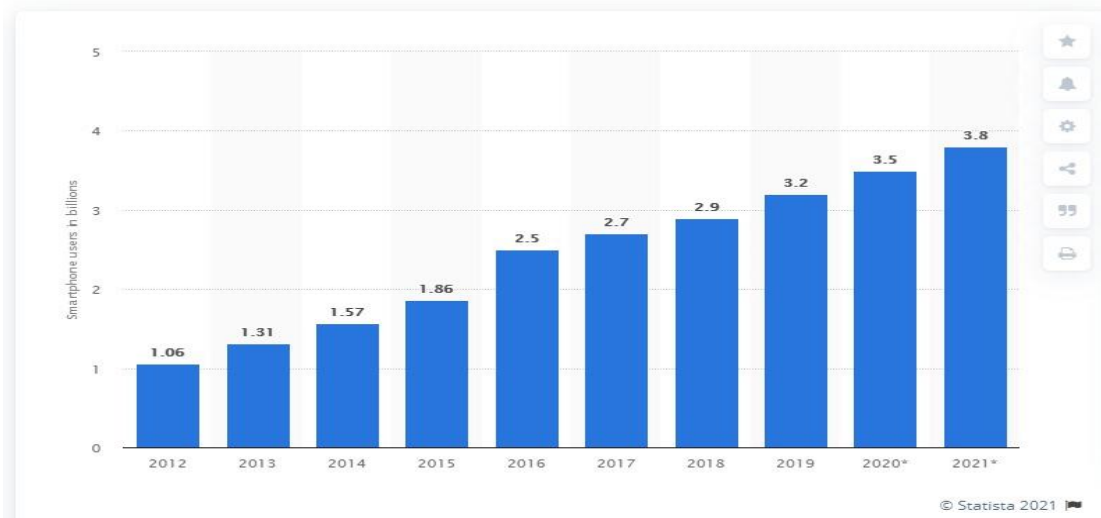
To provide consumers with quick access to their accounts, transactions, and financial services, financial institutions made significant investments in the development and enhancement of online banking systems. Customers may use online banking to check accounts, transfer payments, pay bills, and manage assets from the convenience of their own homes or offices.



The Indian digital banking platform market was valued at USD 776.7 million in 2021 and is predicted to grow to USD 1,485.5 million by 2028, with a CAGR of 9.8% between 2022 and 2028. In recent years, the India digital banking platform market has grown significantly due to the country's booming fintech industry and expanded government efforts to improve economic digitization. Furthermore, growing cloud computing use and a greater emphasis on enhancing customer experience are likely to boost the India digital banking platform market during the forecast period.

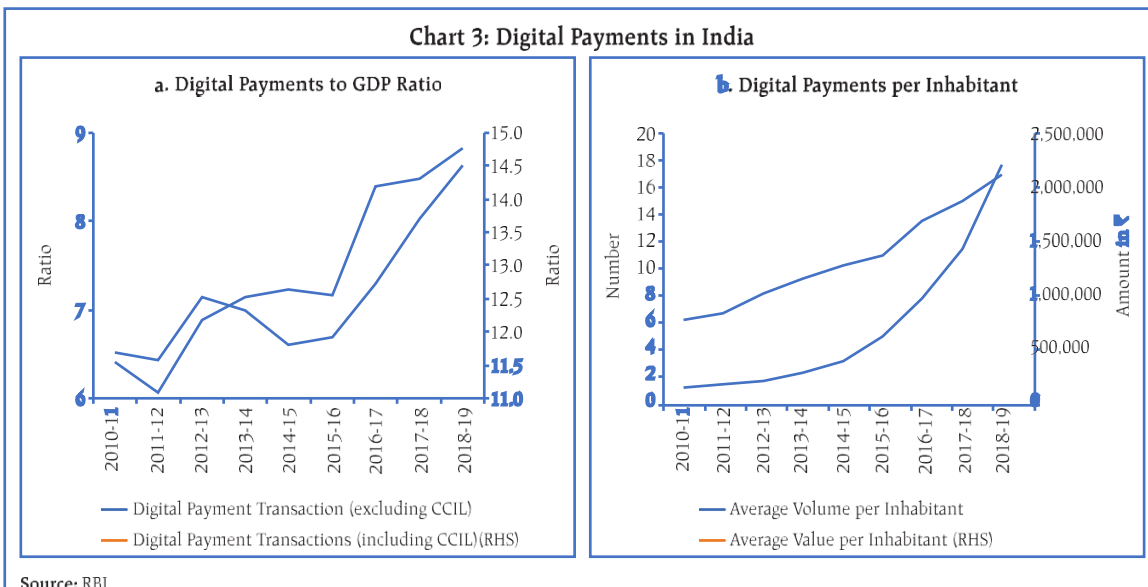
2. Mobile Banking Applications:

The growth of smartphones resulted in the proliferation of mobile banking applications. Financial institutions created easy-to-use mobile apps that allowed clients to access banking services while on the road. Mobile banking apps enabled users to accomplish the same operations as internet banking platforms, but with greater convenience and mobility.

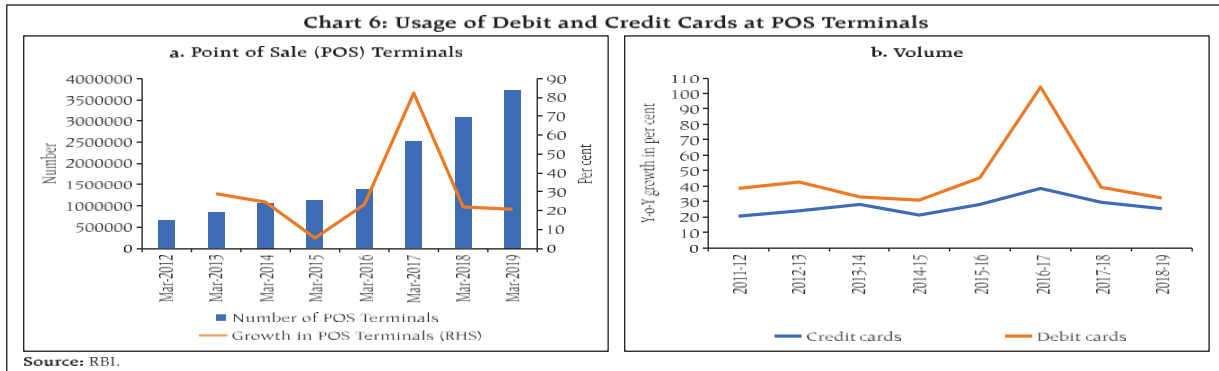


3. Digital Payment Solutions:

Financial institutions introduced digital payment solutions to facilitate seamless and secure transactions. These solutions included person-to-person (P2P) payments, mobile wallets, contact less payments, and digital wallets linked to debit and credit cards. Digital payment solutions aimed to simplify the payment process for consumers and businesses while reducing reliance on cash transactions.



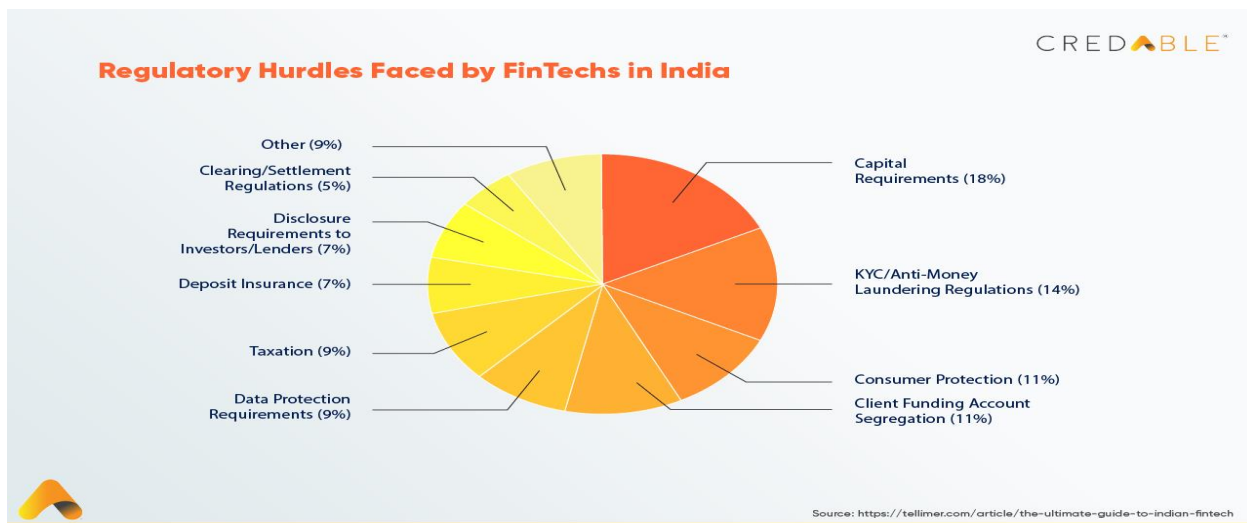
India's digital payments to GDP ratio has historically been low. However, recent efforts to promote cashless payments have led to a significant increase in transactions, particularly after demonetisation. The number and value of digital payments per person grew.



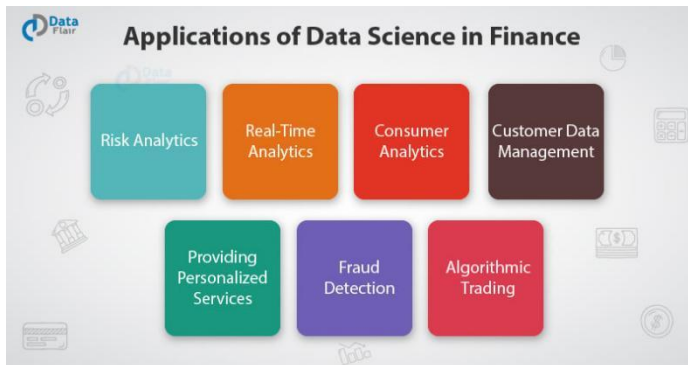
Debit card usage at point-of-sale terminals has risen dramatically in recent years, reaching 31% volume and 16% value. The Ru Pay card drive under the Prada Mantra Jan Than Yo Jana, expanded point-of-sale terminals, and government and industry incentives for digital payments have all contributed to this expansion. The increase in debit and credit card usage at point-of-sale terminals decreased following demonetization, but it remained significant.

4. Fin-tech Partnerships and Collaborations:

Many financial institutions created agreements and cooperation with fin-tech firms to capitalize on breakthrough technology and solutions. Fin-tech alliances allowed financial institutions to broaden their service offerings, increase operational efficiency, and enhance client experiences. The cooperation included peer-to-peer financing, robot advice services, block chain-based solutions, and alternative payment systems.

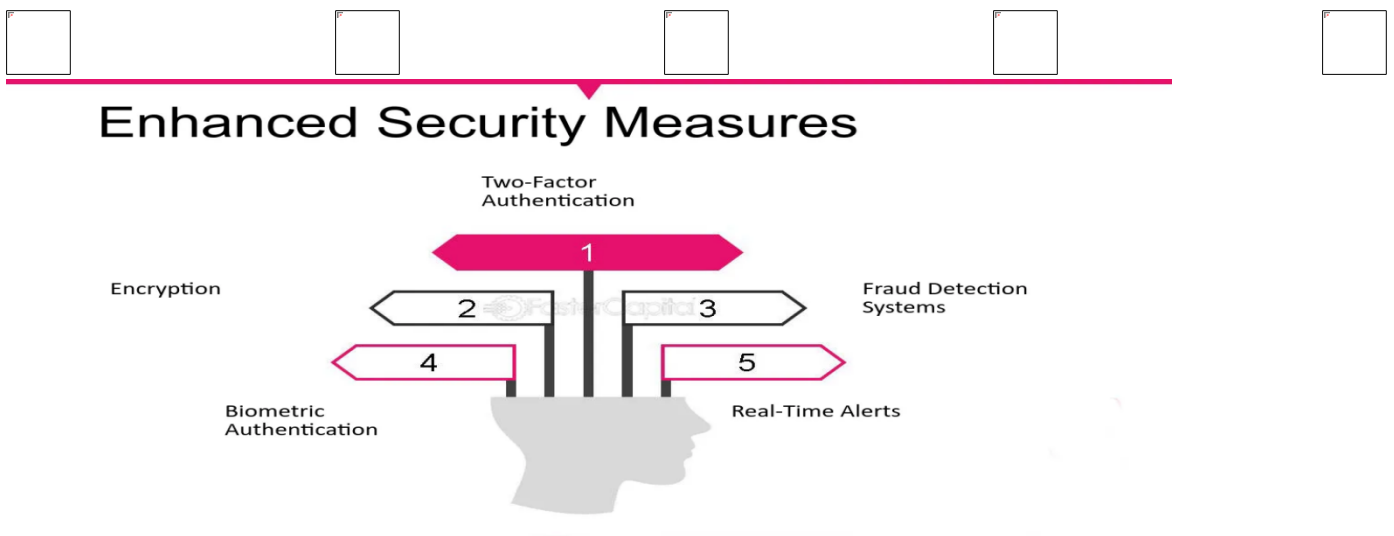


5. Data Analytics and Personalization:



Financial institutions use data analysis and machine learning algorithms to examine massive volumes of client data and obtain insights into their behaviour, preferences, and requirements. Financial institutions might use data analysis to provide personalized product suggestions, targeted marketing efforts, and customized financial solutions suited to specific clients.

6. Enhanced Security Measures:

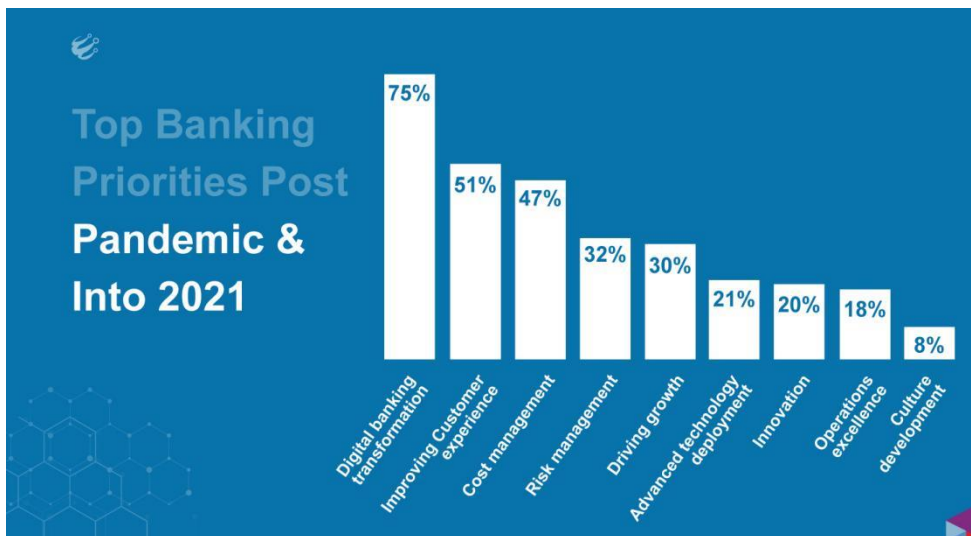


With the growing threat of cyber attacks and data breaches, financial institutions invested in enhancing security measures to protect customer data and safeguard transactions. These measures included multi-factor authentication, encryption technologies, biometric authentication, real-time fraud detection, and continuous monitoring of IT systems and networks.

GROWTH OF DIGITAL BANKING OVERVIEW:

The expansion of digital banking was substantial both before and after the epidemic, but the outbreak accelerated many previously established tendencies.

Here's a look at the evolution of digital banking before and after the pandemic:



Digital banking is a critical development, and technology plays an important role. By 2025, instant and e-money payments will account for more than 25% of all non-cash transactions. The digital finance sector is expected to grow to \$90 trillion, with digital banking accounting for 75% of all online banks. In India, digital banking has shifted from a service to a requirement.

Before the Pandemic:

- ◆ Prior to the pandemic, digital banking was on the rise owing to technological improvements, shifting customer expectations, and the increased availability of the internet and mobile devices.
- ◆ Banks and financial institutions were investing in digital infrastructure, developing mobile banking apps, and introducing online banking services to cater to the growing demand for digital financial solutions.
- ◆ Customers were increasingly adopting digital banking channels for convenience, accessibility, and enhanced features such as real-time account information, mobile payments, and remote check deposits.
- ◆ Fin-tech startups were disrupting the traditional banking landscape with innovative digital offerings, challenging incumbent banks to adapt and innovate in response to changing customer expectations.

After the Pandemic:

- ◆ The COVID-19 pandemic accelerated the adoption of digital banking as lock downs, social distancing measures, and health concerns prompted people to minimize in-person interactions and embrace digital solutions.
- ◆ Banks and financial institutions experienced a surge in demand for digital banking services, with many customers preferring to conduct banking transactions online or through mobile apps.
- ◆ Digital payment methods, including contact less payments, mobile wallets, and peer-to-peer transfers, gained traction as people sought touch-less and convenient payment options.
- ◆ Financial institutions accelerated their digital transformation initiatives, investing in technology infrastructure, cybersecurity measures, and digital customer experiences to meet the evolving needs of customers in a digital-first world.

The epidemic also underlined the need of digital banking for financial inclusion, as under served communities relied on digital channels to obtain banking services, government stimulus payments, and financial aid. Digital transformation in financial services seeks to modernize processes, improve client experiences, and preserve competitiveness in a continuously changing market.

Conclusions:

Digital transformation in financial services has emerged as an urgent requirement for institutions to flourish in an increasingly digital environment. The pandemic's before and after scenarios highlight the critical significance of resilience, adaptation, and creativity in negotiating the difficulties of digital transition. Financial institutions may position themselves for long-term success in the digital era by embracing technology improvements, cultivating an innovative culture, and focusing on customer-centricity the financial services sector evolves, academics, practitioners, and policymakers must work together to handle new issues, exploit innovative innovations, and influence the future of finance in a fast changing market.

References:

1. <https://www.nic.in/blogs/digital-payments-driving-the-growth-of-digital-economy/>
2. https://www.rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=18409
3. <https://www.blueweaveconsulting.com/report/india-digital-banking-platform-market>
4. <https://www.statista.com/statistics/505243/worldwide-software-as-a-service-revenue/>
5. <https://www.grandviewresearch.com/industry-analysis/saas-market-report>
6. <https://www.mdpi.com/2504-2289/6/1/17>
7. <https://www.itnext.in/article/2019/06/26/how-indian-payment-landscape-changing>
8. <https://cimsdbie.rbi.org.in/DBIE/#/dbie/home?site=home>
9. <https://www.blueweaveconsulting.com/report/india-digital-banking-platform-market>
10. <https://news.microsoft.com/en-in/features/inside-indias-digital-transformation-story/>
11. <https://journals.sagepub.com/doi/10.1177/21582440211047576>