

Using Technological Advancements - Changing the Banking Sector's Face Value in World Market

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Abstract

This research paper analyses the outcome of the continuous evolution of banking industry, it is undergoing significant change because of technological advancements that are improving client satisfaction, efficiency, and security while also changing conventional financial practices. The use of cutting-edge technologies like cloud computing, blockchain, big data analytics, and artificial intelligence (AI) has completely changed how banks function and engage with their clientele. These developments make it possible for smooth online transactions, individualized financial services, and enhanced decision-making. Moreover, risk management, fraud detection, and regulatory compliance are all improved by the combination of automation and machine learning. Traditional banks are under more and more pressure to compete by utilizing technology to fulfil changing client expectations as fintech and digital banking platforms gain traction. The industry is embracing change to guarantee accessibility, scalability, and resilience through projects like decentralized finance (DeFi), improved mobile banking apps, and biometric security measures. In addition to increasing operational efficiency, the ongoing advancement of technology enables banks to make substantial contributions to global financial inclusion and economic growth.

This essay emphasizes how important technology breakthroughs are to promoting creativity, resolving business obstacles, and opening the door to a financial environment that is more effective, safe, and customer focused.

Introduction

As discussed by **Rajashékara Maiya**, Infosys Finacle's VP and head of the business consulting group and Sridhar Guturi Lead Product Manager, Infosys, Finacle, 2023 is the year of business model innovation in the banking space. Banks are adopting new models to meet customer needs and increase customer engagement through evolutions in banking-as-a-service, marketplace, and utilities. Today the more you get engaged to the banking sector the more you will realise that the Banking sector has evolved a lot from service sector and having its focus on the Business orientation.

New Product development is on a new spree and the marketing team is on its toes to market the product on the Indian Financial Market place that is their customers who are the holding the roots of the financial sector.

With continuous evolution in the technological front in this country it is very important for the Financial Sector to adapt to the ongoing trend to match up the position with the competitive countries.

Now banks have started making decisive moves to reinvent their business by adopting emerging business models, such as **Banking-as-a-Service** (BaaS) and embedded finance, marketplaces, and utilities.

These are early days for BaaS, but it already promises solid returns to financial institutions that successfully partner with brands with deep customer understanding and engagement. This has helped banks to stay relevant in a time when technological advancements threaten to leave them lagging in innovation. The list of companies embedding banking and other financial services within their customer journeys includes global leaders such as Apple, Amazon, and Uber.

Robotics Process Automation and Hyper Automation in the Banking market are expected to see a sharp rise and it is expected to reach USD 4980.65 million by 2029. In 2023 hype automation is now being called upon to increase the pace of banking operations. Using RPA and Hyper automation in the banking process enterprises can free up their banking staff to more repetitive and complex processes like fraud detection, and money laundering and give them the responsibility for core banking tasks. That's not all, as per the Deloitte Report, 80% of Banking customers have interacted with at least one RPA tool in the last 12 months.

On December 6, 2022, the World Bank revised its GDP growth outlook for India for 2022-23 from 6.5% to 6.9%, on the back of the economy's strong performance in Q2. The World Bank went on to say that the nation was “**well placed**” to steer through any potential global headwinds in 2023.

The Indian economy has proven to be remarkably resilient in the face of the deteriorating global situation due to the strong macroeconomic fundamentals that place it well ahead of other emerging market economies.

Retail inflation, as reflected by the Consumer Price Index, remained above the RBI's upper tolerability level of 6% for 10 consecutive months to November, when it eased slightly to 5.88%. Retail inflation recorded an eight-year high in April, with rural inflation rising to 8.4% and urban inflation being recorded at 7.1%.

This surge was attributed by analysts to the sharp rise in food inflation, which recorded a 17-month high of 8.4% in April.

Now focusing on the Allied Financial Services that captures 30% of the economic growth.

The Indian Stock Market: It has been an action-packed year for the Indian stock market. The first hit was from the Russia-Ukraine war, which led the Sensex to plunge 2,702 points on February 24, the day Russia invaded Ukraine. But both Sensex and Nifty bounced back quickly, driven by a better-than-expected corporate earnings season in Q1, along with moderation in global commodity prices and domestic inflation.

Future conditions of the Indian economy in coming five years

India is targeting seven per cent growth in economy this year and we expect it to cross it in the next five years, External Affairs Minister S Jaishankar said on Saturday and adding that New Delhi will try to stay in the 7-9 per cent range at least for a decade and a half.

Research Goals:

The Development of Technology in the Banking Industry. The main goal of the research to thoroughly examine how technology is revolutionizing the banking industry and how it affects customer satisfaction, competitive advantage, operational effectiveness, and long-term viability.

Particular Research Goals

1. Digital Transformation and Operational Efficiency

Assess the degree to which technology advancements (such artificial intelligence, blockchain, and cloud computing) improve financial organizations' operational procedures and lower operating expenses.

Examine the relationship between resource optimization, cost reduction, and organizational efficiency and digital transformation initiatives.

2. Digital banking and customer experience

Examine how advancements in technology enhance individualized financial services, accessibility, and consumer interaction.

Examine how improved user interfaces, mobile banking apps, and digital platforms affect client loyalty and satisfaction.

3. Risk management and cybersecurity

Analyse how improved cybersecurity practices in the banking industry relate to technology developments.

Examine the ways in which cutting-edge technology support effective risk management plans and fraud detection systems.

4. Technology and Financial Inclusion

Examine how technology advancements give underprivileged and isolated groups access to banking services, hence facilitating greater financial inclusion.

Examine how fintech solutions can help close the gaps in financial accessibility that exist across various socioeconomic groups.

5. Innovation and the Competitive Environment

Examine the ways in which the banking industry's competitive dynamics are impacted by technological advancement.

Determine and assess new technology developments that are altering conventional banking business models.

6. Technology Integration and Regulatory Compliance

- Examine the potential and difficulties of using cutting-edge technologies while adhering to changing legal requirements.
- Evaluate how regulatory technology, or RegTech, can simplify compliance procedures.

Considerations for Research Methodology

- Thorough analysis of scholarly and commercial publications
- Case study analysis using both quantitative and qualitative methods
- Interviews and surveys with technology specialists and banking professionals
- Comparative evaluation of several financial organizations' technology implementations

Anticipated Results

- Thorough explanations of how technology is revolutionizing the banking industry
- Identifying the main technology developments and the possible ramifications for the future
- Practical suggestions for banking organizations to successfully utilize technology breakthroughs

Possible Importance

With the goal of giving financial organizations strategic insights, this study attempts to present a comprehensive overview of the technological progress in banking

How will India achieve its set target of its economic growth?

According to reports published in one of the leading media house: Geopolitical uncertainties continue unabated, a legacy of the last year, and there's wide consensus among economists now that the global economy is on the verge of entering a phase of severe slowdown.

It is unlikely that India will remain insulated from these developments. But here is a bit of good news as far as India's economy goes—there are enough reasons to be optimistic about India's economic outlook in 2023. In particular, healthy domestic drivers will likely help the country post reasonably strong growth this year. The private sector balance sheet has improved over the past couple of years, implying that the private sector is poised to increase spending, which can boost capex as and when the investment cycle picks up. Besides, corporate deleveraging has improved banks' balance sheets, aiding the banking system to come out of the asset quality cycle. Furthermore, high goods and services tax (GST) and direct tax collections have provided the government ammunition to spend and cushion the impact of the impending global slowdown and keep the economy buoyant.

According to the **World bank in India**, the country India with a population of more than 1.2 billion and being the largest democracy its integration into the Global Economy has been accompanied by economic growth. India is emerging as a consistently growing economy through different amalgamations in the global market and pulling the economic condition to the path of being the most aggressively developing Country.

The Role of RBI and Banks in our Economic development:

- **Advancement of Credit:** Indian banking sector is one of the most active sectors in advancing loans to individuals and institutions. It plays an important role in providing funds to different priority sectors like Agriculture, Small scale industries, trading enterprises, real estate, etc.
- **Business Development:** Indian banking sector helps a lot in business development by developing strong ties with foreign countries through establishing branches. Indian banks also facilitate trade and commerce by providing payment facilities to various local and international business houses.
- **Financial Security:** Indian banking system provides financial security to the people by providing loans at competitive rates, paying reliable remittance services, etc. It helps people save their money and invest it in different financial instruments like Government securities, long-term bonds, etc.
- **Cash Management:** Cash management plays a crucial role in the banking system. It allows banks to provide quick cash and money transfer. It helps banks manage money transfers carried out by various business houses and a large number of industrial units.
- **Financial stability:** The Indian banking sector provides safe and secure financial services through Money orders, Cash deposits, and cash card services.
- The Indian Stock Market in relation to the World Market has been on the Growing trend which has been exclusively researched and presented us stating that the Money market in India has been holding the 9th position in the Global market and has a speculation of further rising the ladder in the forthcoming years.
- **External Shocks:** An economic shock refers to any change to fundamental macroeconomic variables or relationships that has a substantial effect on macroeconomic outcomes and measures of economic performance, such as unemployment, consumption, and inflation. Shocks are often unpredictable and are usually the result of events thought to be beyond the scope of normal economic transactions.

Because markets and industries are interconnected in the economy, large shocks to either supply or demand in any sector of the economy can have a far-reaching macroeconomic impact. Economic shocks can be positive (helpful) or negative (harmful) to the economy, though for the most part economists, and normal people, are more concerned about negative shocks.

The supply-side strategy of India has two recurring themes: (i) Reforms that increase adaptability and creativity to address the post-Covid world's long-term uncertainty. This includes resolving legacy issues like retroactive taxation, privatizing and monetizing, building physical infrastructure, deregulating industries like space, drones, geospatial mapping, and trade finance factoring, and reforming processes like those in government procurement and telecommunications. (ii) Changes meant to make the Indian economy more resilient. These include measures pertaining to the climate and ecology; supporting important businesses under Atmanirbhar Bharat; placing a high priority on reciprocity in international trade agreements; and social infrastructure like public tap water, toilets, basic housing, insurance for the poor, and so on.

An important theme that has been discussed through the course of the Economic Survey is that of 'process reforms'. It is important to distinguish between deregulation and process reforms. The former relates to reducing or removing the role of government from a particular activity. In contrast, the latter broadly relates to simplification and smoothening of the process for activities where the government's presence as a facilitator or regulator is necessary.

Modern banking that will lead India to be amongst the top countries with high trend futuristic banking services. They will be looking very similar to one of these services and technological interventions and upgradation mentioned below. Though many has already been implemented and are used in our day-to-day activities.

- **Open Banking:** One notable innovation in the banking sector is Open Banking, which makes use of APIs. It ensures efficiency and security while offering companies and consumers individualized financial services.
- **Digital Wallets:** With only a few swipes on a touch screen, digital wallets have become a crucial component of contemporary banking, streamlining daily transactions, e-commerce payments, money transfers, and cell phone recharges.
- **Near Field Communication Technology:** (NFC) technology enables safe and speedy payments via gadgets like watches, wristbands, and phones, promising a futuristic banking experience. Physical wallets and cards are no longer necessary due to the digital shift.
- **Digital Account Opening:** Customers may now open accounts online without going to a physical branch thanks to this crucial component of contemporary banking. This digital method of creating an account has been used by several private banks.
- **Technological Biometrics:** Biometric technology improves security and offers a smooth user experience by utilizing voice recognition, iris scans, and fingerprints. In contrast to conventional PINs or passwords, biometric identifiers offer more convenience and security.

Modern Banking System Advantage And Disadvantage

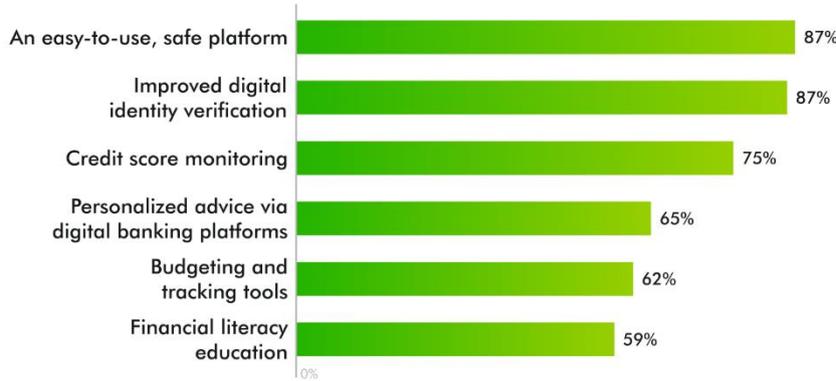
Modern Banking System Advantage

- Modern banking, particularly in the form of e-banking, provides unparalleled convenience to customers.
- With the ability to perform transactions, check balances, and manage accounts online, individuals can conduct banking activities at any time and from anywhere with internet access.
- This convenience is especially beneficial for those with busy schedules or in need of urgent financial management.
- Modern banking offers numerous advantages in terms of convenience, time efficiency, and accessibility, the increasing prevalence of cyber threats poses a significant disadvantage.
- Balancing the benefits with robust security measures is essential to ensure a positive and secure banking experience for customers.

Modern Banking System Disadvantage

- One significant drawback of modern banking is the heightened susceptibility to cyber threats.
- The use of online platforms exposes customers to hacking, spyware programs, computer viruses, and password breaches.
- Cybercriminals employ various tactics, such as spreading viruses to compromise computer systems, gaining unauthorized access to sensitive information, and illegally transferring funds.
- This vulnerability poses a serious threat to the security of individuals' financial assets and personal data.
- Not everyone may have the technological literacy or access required for modern banking.
- The elderly, individuals in rural areas, or those with limited access to technology may face challenges in adapting to e-banking systems.
- This creates a digital divide, excluding certain demographics from the advantages of modern banking.

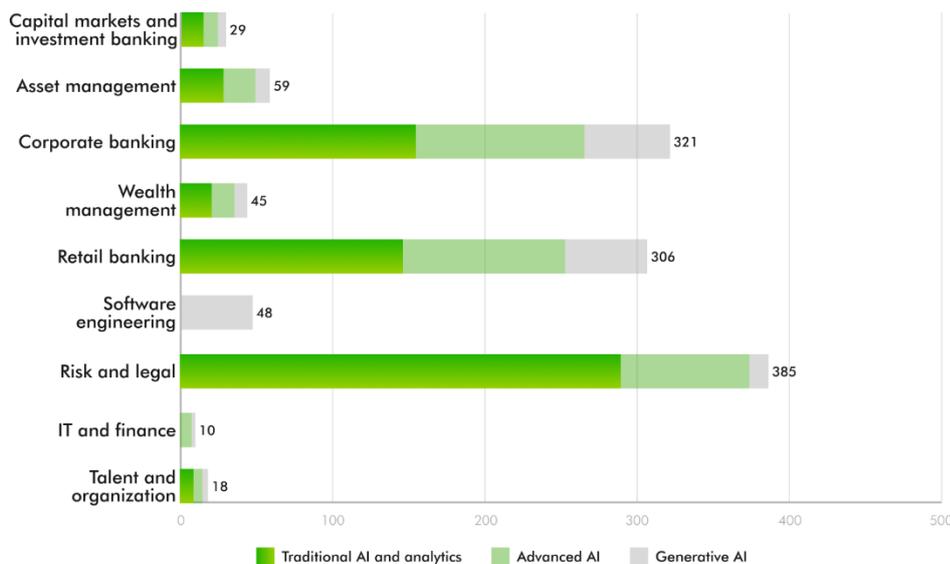
FEATURES USERS EXPECT THEIR DIGITAL BANKING APP/WEBSITE TO OFFER



Source: BMO's 2023 Digital Banking Survey

The above-mentioned Graph shows the inclination of Technological Innovations and what are the benefits that we receive upon Adapting to Futuristic Banking Services. The below mentioned graph says the importance of AI penetration in our financial activities.

VALUE CREATED BY AI AT STAKE BY SEGMENT AND FUNCTION, \$BILLION



Source: McKinsey

Conclusion:

In conclusion, the Survey is quite optimistic that overall macro-economic stability indicators suggest that the Indian Economy is well placed to take on the challenges of 2022-23 and one of the reasons that the Indian Economy is in good position is its unique response strategy. The Survey points out that the last two years have been difficult for the world economy on account of the COVID-19 pandemic. Repeated waves of infection, supply-chain disruptions and more recently, global inflation have created particularly challenging times for policy-making. Faced with these challenges, the Government of India opted for a ‘Barbell Strategy’ that combined a bouquet of safety-nets to cushion the impact on vulnerable sections of society and the business sector. It next pushed through a significant increase in capital expenditure on infrastructure to build back medium-term demand as well as aggressively implemented supply-side measures to prepare the economy for the sustained long-term expansion. This flexible and multi-layered approach is partly based on an “Agile” framework that used feedback-loops, and the monitoring of real-time data.

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