

# A Study on Digital Transformation in Banking Sector

Pooja. U<sup>1</sup> and Dr.S.Gayathri<sup>2</sup>

<sup>1</sup>(M.Phil. Research Scholar, School of Management Studies, VISTAS, Chennai, India)

<sup>2</sup>(Associate Professor, Department of Management Studies, VISTAS, Chennai, India)

---

## **Abstract:**

*The purpose of this study is to understand the transformation of banking sector from traditional banking to a digital world. Many of us would have experienced opening an account in banks in a traditional way however in late 2000's the evolution of ATMs, Internet banking generally the modern bank which paved the way for digital banks and we have seen the world changed for the consumer. In today's world people go to their bank branch twice or thrice a year and the whole digital story which is going to revolutionize the banking industry. Financial institutions like banks has have always invested a lot in technology but when it came to physical security they usually went for analog CCTV as clients move to a digital mindset most banks kept their security departments apart from the digital revolution that is until something happened clearly more and more devices are being connected to the network they now contribute to the overall experience at branch offices from ATMs with discreet cameras to new technologies like people counting queue management and facial recognition of VIP customers each bank of course has its own pace. Let us context about the digital transformation of banking sector in India and how it impacted the end customer*

**Key words:** Digital, Revolution, Transformation, Customer experience, Technology

---

## **Introduction:**

One of the biggest mover of any sector in 21<sup>st</sup> industry is Digitalization. In India the financial sector has faced changed revolutionary transformation in a positive way. In the late 90's from post machines to then in the any electronic fund transfer then the UPI (User

defined payment interface) and may be very soon payment banks. Indians are converting to pay each other in digital way. In today's world customer is the bank behaves differently. The sophisticated customers are harder to acquire, retain and to fulfill their desire because their expectation has been influenced by the digital technologies that they used and they depend on. Their everyday experience don't easily carried on and banks ready to face their innovative banking system. Digitalization is driving a massive disruption of retail banking. Millennial are increasingly turning to digital banks to perform their banking activities. Digitization is the term which means making the things to be easily accessible to the person of the world. The main purpose of making the world digital is to improve the person of different places to change their way of living. Making the things of world to be connected digitally means accessing those things within a second which makes an individual life easier and comfortable. Use of internet banking is one of the biggest advantages of being digitalization since it removes the problem of standing in a long line. Now people just access their banks within a single click, which makes the transaction and deposition easier.

### **Objectives of the study:**

1. To provide an overview of digital banking scenario in India
2. To present a comprehensive review of literature of on digital banking

### **NEED FOR THE STUDY**

Digital transformation is disrupting the banking sector driven by technological evolution the leveraging of process optimization and customer satisfaction is no longer an option it's a necessity data has become a defining factor of our society it's constantly shaping and redefining all aspects of our lives enabling us to make decisions and analyze the effects of our efforts treat it as the new gold of our millennium the worldwide data volume will grow to more than 180 petabytes by 2020 yet empowered by the rise of Big Data technology driven FinTech companies are invading financial service markets while margins in conventional banking areas such as deposit businesses continue to shrink these new non-banks competitors are less tied to regulations and compliance guidelines effectively flooding the market with new product offerings due to short time to market cycles and low governance costs time to pick up the gauntlet with cybercrime having risen by more than 300% over the last five years trust and customer experience have become the deciding factors in winning the battle for supremacy of the banking world traditional banks will need to rely on their intrinsic values such as security discretion and customer orientation in order to turn the tables customer experience is key yet financial pressure is a major pain point data processing which is at the heart of modern banking.

### **Review of Literature:**

**Carmen Cuesta, Macarena Ruesta (2015)** in their research they have presented that consumers changing behaviors and competitive markets are influencing digitalization process of banking industry or any other industry in general. As a matter of fact the competitive word

is a major influence which helps the banking industry to run behind automation and other product development to make their customer's satisfaction which in turn increases the reputation and revenue of the banks.

**Jayshree Chavan (2013)** in her theory of internet banking- benefits and challenges, had discussed about the transformation of traditional banking to modern banking. The evolution of the role of financial sectors like banks are modernized in these days to improve customer satisfaction and to improve customer service by providing digital fund transfer and other digital transformation which helps to develop new channel of distribution such as Internet banking, mobile banking and online banking and she also discussed about changes of modern banks in India.

**Vishal Goyal, Dr.U.S.Pandey, Sanjay Batra (2013)** has discussed an overview of the mobile banking and use of mobile banking to end customer. As a matter of fact most of us uses mobile phones daily at least to check the status of friends in whatsapp, so the evolution like mobile banking which helps fund transfer, account opening and other banking related queries without visiting the bank and not following the old traditional banking system it saved the time and it also improves the accessibility of the banks at any point of time.

**Sherif Kamal (2003)** in his theory has analyzed the use of Information technology towards development of digital banking in India. The automation of banking process and innovative ideas towards banking system is increased customer experience in a positive way and thus helps the banks to reach out to their customer without having them waiting in bank queues and which cannot be possible without the help of information technology and effective usage of the information technology, Kamal has also discussed about digitalized banks and safety of the digital banking and end user benefits.

**Nadire Cavus (2015)** had presented the advantages and disadvantages of individual adopting new developments of modern banks and how it affect the end user's desires and most of the people may or may not adopt to modern technologies however it is easy for the younger generation to make use of the internet banking and to reach out to the advantages of it as most of the old people may not feel this way as the information technology has become much complicated to use and not everybody can afford to internet banking and other modernized fund transfer and mobile banking.

**P.R.Kousalya M.Manonmani (2014)** had insisted how banking sector helps in improving the standard of Economy. The digitalization of banks will not only help the end user but it also helps the country to improve the standard and The improved method of banking helps the rural and urban areas connects and it also effectively used in timely decision making and it also helps the end user to understand the basic norms and helps the personnel to avoid errors which might happen due to traditional banking process.

## **How we can increase digitalization in banking**

### **Digital Customer Experience**

The Digital Customer experience studies the level of digitalization of the products and services offered, by testing available digital customer contact channels and completing customer journeys (current account, bank card subscription and money transfers).

All the different devices that costumers use for banking services like transactions or enquiries can be connected via IT platform where data is aggregated to be transformed into actionable insights. Using this Big Data, banks and financial institutions can offer different services or rewards to customers and add value to their banking experience thus attracting more business.

For instance, banks can analyze their footfalls via walk-in customers on-boarded and accordingly improvise their offerings and services. Similarly, use of ATM kiosks in different areas can be analyzed with sensors and accordingly ATM installation can be increased or decreased depending on the usage.

Similarly, in agriculture sector, banks can study the farm crop output with IT devices and accordingly provide flexibility in financial terms making their relationship with farmers stronger. IT can also be used to predict fraud in card transactions by verifying account holders mobile or device location with that of the transaction location. And this is just the top of the IT iceberg, IT-enabled Banking Services can transform your bank's future by integrating information received from IT devices.

Traditional banking methods involve end-to-end banking system. With the adaptation of digital banking solutions, it is overcoming the time consuming traditional method. All the systems are under control and data is secured.

Mobile banking is becoming the next big step adapted by the banks. With the advent of digitization service or automation, mobile banking has become the major part of the service. In all sense, the role of digital transformation in banking industry is huge and beneficial

India is going get increasingly digitized right how is the world changing and you know let us just talk about that there is no doubt that the world is changing at an unprecedented pace the wild data will grow 18 times a lot of applications are going to come from the cloud and you know believe it or not in 2012 more data was generated than was ever generated in the history of mankind before that's the amount of change that's taking place the number of devices that will be connected will be huge it's estimated that 50 billion devices will get connected by 2020 that's the change that we are all looking at and the clear digital Disruptors as we call them are going to be mobility social cloud and data.

Between these four we are going to see a clear paradigm shift in the industry video is going to dominate the traffic on the wires almost 62% of the traffic is going to be video the social media which is the Facebook Twitter whatsapp ding-ding is going to boom exponentially we've seen a rapid increase in the last few years it's only going to grow up from

here but to varying data points that I want to talk about first India is called 81% mobile users but only 10% of them are smartphone users and I can tell you that this number is going to grow and as this number grows is going to open up huge amount of opportunities for the banking industry so let's move and talk about what are the potential new and better connections for digital Bank.

The first thing here is the finance part which is you walk into a branch which is only virtual people there are no physical people in that branch you've got these virtual machines that you can go and sit on to and then talk to a battery of experts sitting behind of course you've got variants to it you can have a full-fledged branch with you know 10 or 15 physical people add some virtual people so that you can bring a lot more efficiency you can have a variant of one or two physical people and four or five virtual depending on the nature of the branch and what you want to do these are all variants that will exist but the part that really you know animals me the most is the identified me premier branch.

To think of it like this as a customer if I walk into a branch and my smartphone becomes my identity by the time I reach the banker or the virtual machine the person knows everything about me my last 10 transactions what's my area of interest and then that conversation is very different so my smartphone Wi-Fi will then become my identity every time I want to go walk in and I think that's the that's the future that we are all looking back so the connected digital bank will really bring banking services to customers in a satisfying and really in the most productive way and if you look at this it's going to be seamless for the customer is going to be productive use of the bank resources it's going to be access to the banking resources

Regardless of where you are and at the foundation is going to be the analytics which will have all the intelligence about the customer and clearly at the heart of a connected digital bank this is just a graphical representation of what a what a digital Bank will look like you've got the data center you've got the branch you've got the expert you have the self-service branch right we've got people working from home or from the from the social media that will be there to help us at anywhere and at any time.

## **Features of Digital banking in India**

Digital technologies they now use and depend on and these everyday experiences don't easily carry over to their banking interactions this reality is forcing banks to play catch-up legacy systems and solid data are major roadblocks to the progress in analytics that enable digital transformation banks know they need to match the innovative engaging interactions and products available in other consumer venues some of them competitive where capabilities such as mobile payments through non-bank companies are becoming commonplace digital transformation leveraging third platform technologies such as cloud mobile social and Big Data will be crucial for meeting these challenges to identify the key areas ripe for digital transformation.

IVC conducted in-depth interviews with business and IT executives at retail banks and credit unions to better understand their strategies the survey found that digital transformation is happening at a slow steady pace it also found that the threat of disruption and the need to keep costs down are the key drivers for digital transformation in retail

banking worldwide another interesting finding is related specifically to one of the third platform technologies data analytics which was identified as a top priority because of its importance in growing the business a recent IDC survey in 2015 found that over 35% of institutions identified big data and analytics as their number one priority for the coming year higher than any other third platform initiative most institutions are already using some basic analytics regulatory compliance financial reporting managing risk and some customer marketing however the focus is now moving to more sophisticated analytics including predictive capabilities for customer interaction and revenue growth this includes using capabilities for cross domain applications offering analytics to drive improved value for clients and delivering a more relevant user experience to learn more about these important trends and ID 's recommendations for optimizing your digital transformation strategy.

### **Conclusion:**

When we talk about banking, the matters related to money and we can't wait and if a technology gives you the ease to manage everything, including payments, transactions, salary etc without actually doing the manual paper work and then, it will receive a great welcome. With the help of digitization, the customers will get everything at their fingertips that too without being present at the bank. The procedures that would take hours earlier are now possible in just a few seconds with the help of digitization. The main key focus of banks is to make use of digitalization and it helps to increase the efficiency and reliability of the customers towards bank it also helps to keep accurate record and helps to improve the time management and also attract the customers.

### **References**

- *Dalila Boughaci and Abdullah A. K. Alkhaldeh, Appropriate machine learning techniques for credit scoring and bankruptcy prediction in banking and finance: A comparative study, Risk and Decision Analysis, 10.3233/RDA-180051, (1-10), (2018).*
- *Fang Fang and Yuanyuan Chen, A new approach for credit scoring by directly maximizing the Kolmogorov–Smirnov statistic, Computational Statistics & Data Analysis, 10.1016/j.csda.2018.10.004, (2018).*
- *Dimitrios Niklis, Michalis Doumpos and Constantin Zopounidis, Credit Risk Modelling, International Journal of Sustainable Economies Management, 10.4018/IJSEM.2018070105, 7, 3, (50-64), (2018).*
- *Chunguang Bai, Baofeng Shi, Feng Liu and Joseph Sarkis, Banking credit worthiness: Evaluating the complex relationships, Omega, 10.1016/j.omega.2018.02.001, (2018).*
- *Ting Sun and Miklos A. Vasarhelyi, Predicting credit card delinquencies: An application of deep neural networks, Intelligent Systems in Accounting, Finance and Management, 25, 4, (174-189), (2018).*