

# A STUDY ON SIGNIFICANCE OF DIGITIZATION IN BANKING SERVICES

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**Abstract :** *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 behaviour, preferences, choices, and 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. This era in which we live today is predominated by the word “Digitization”. This word which has evolved in recent times has undoubtedly become the crux of “Banking Sector” in our country. Banks in our country are no longer made of just bricks & mortar delivery channels. They have surely revolutionized into the concept of anytime, anywhere. New mantra for banks says Digitalize or die. Digitalization is mainly concerned with what all banks are required to do in order to provide better services to the customers. There are various technologies which are to be adopted for digitalization of back office. It also ensures self-sufficiency to the customers in whichever way possible. The major importance of digital banks lies in their ability to be omnipresent. Since challenges often give birth to opportunities, so the major challenge in front of the banks is to digitalize themselves. Enabling them to meet preferences of the people of all generations has also given rise to enormous opportunities, resulting into the revolutionized version of banking known as “Digital Banking”.*

**Key words:** Cybercrime, Banking, Digitalization, Technology

## 1.INTRODUCTION

The banks have evolved since ancient times. It starts from the traditional money laundering & bartering practices for agriculture and other commodities. Abundant possibilities have emerged in the banking sector. The technology evolution still shapes the nature of global economic activities. It results into a change in the landscape of banking. The banks in India have originated in the late 18th century. After independence, the nationalization of major private sector banks enabled more people to have an access to banking.

Many foreign banks also initiated operations in India. Such banks wooed the customers by providing professional services through digitalization. This led to an awakening amongst Indian Private & Public sector banks to provide digitalized services. This turn has evolved the “Digital Revolution” in banking sector in India. The banking industry in India compared to other industries is considered more flexible enabling it to implement new rules & regulations, and at the same time it is more clients centric. It will prove to be a great support for the digital banking.

Digital banking will surely provide an opportunity for humongous gains in the coming years. The concerns over the health of Indian banks have been extensive. The new government also has a bold vision for a “Digital India”. This vision further helped in ensuring appropriate regulatory measures to ensure digitalization in banks. Digitalization has an enormous impact on the customer behavior. As a result of the evolution of Digital Banking, Mobile Banking via smart phones has gained preference. Digital Banking is also known as “cyber banking”, “home banking” or virtual banking.

## 2.SIGNIFICANCE OF DIGITALIZATION

It is surely considered to be the de-facto agent, bringing about the whole transformation in the banking sector. Digitalization has innumerable significances, some of which are:

- **Going Paperless:** Digitalization leads to immense benefits in the form of eradication of paper based society. It leads to enabling speedy transactions.
- **An increased access by the users:** Digitalization increases the access of the users of banking facilities.
- **Enhancement in the quality of services being offered:** Helps in providing enhanced services. Digitalization ensures the provision of enhanced services.
- **Helpful in building up partnerships:** Digitalization helps in building up partnerships in order to enhance the

- **An acute escalation in costs:** Automation of the back offices might enable the banks to realize tremendous cost savings. Lack of digitalization often leads to high costs in the form of error costs, maintenance costs, labor costs, and infrastructure costs.
- **Countering Inefficiencies:** Lack of efficiencies in the banks is a result of the lack of digitalization, as digitalization is the most effective way to counter these inefficiencies.
- **Enhancing Connectivity:** Digitalization in banking is mainly concentrated upon connecting people to their money more accurately & speedily.
- **Ensuring Consumer satisfaction:** Helps the consumers to maintain a more organized life. There has been a dramatic transformation in the level of customer service.
- **Widened area of reach:** The bandwidth of reach of the banks has also been on an all-time high as a result of the digitalization. It has also led to a penetration in the banking sector in India. It helps to lead to financial inclusion of people in the most effective manner.

### 2.1 Advantages of digitization in banking

- Improved customer experience.
- Reduction of costs for banks and customers as well by using ATMs, cashless transactions etc.
- Technology is non-discriminatory. Everyone will be treated same at banks.
- It reduces human error.
- Repetitive tasks will be eliminated by automation.
- The rural and urban gap will be eliminated.
- Productivity will be increased.
- With the increasing cashless transactions, fake currency threat will be reduced.
- Cashless transactions ensure transparency and reduce black money formation.
- In digitization Cashless transactions counter tax evasions.
- The problem of fake currency notes can be eliminated by digital payment.

### 2.2 Disadvantages of digitization in banking

- Digitization reduces the effort of employees and hence results in loss of jobs. Loss of jobs will be compensated through a creation of new jobs such as cyber security, research team for innovation in technology etc.
- Banks will be more vulnerable to cyber-attacks as Cybercrime and other modes of thefts will be increased. There is a lack of digital awareness in the country, forget about awareness about cybercrimes.
- A large part of Indian population is digital illiterates so they are not comfortable with banking digitization.

## 3. DIGITIZATION ON 5 BUILDING BLOCK

- Process Optimization using Lean Principle
- Document Management System for Reduced Paper Work - Some of the prominent tools that could be used are Kofax, TWAIN, Captiva, Open text, Data cap, WIA, ISIS and SANE.
- Robotics Automation to reduce Manual Effort and build system Intelligence - The prominent tools used in using Robotics where human intelligence can be set as Business rules are Blue prism, Automation Anywhere, UI path that can replace human beings where decisions are not required.
- BPM and EI for integrating legacy systems and arriving at one integrated system. Intelligent BPM tools compress the observation to action to outcome and help Transformation Leaders to handle big change. Some of the prominent leaders in IBPM are IBM, Oracle, PegaSystems, Kofax, Newgen Software, auraportal and DST. While few of the organizations who does not want to build a top of the layer above their existing systems, they can also use ESB or Java tools to integrate multiple Legacy systems. Few prominent ESB providers are Mule soft, JBOSS, Talend, Oracle, IBM and WSO2.
- IOT - Facilitate Customer with mobile app and use data for Analytics

## 4. ROLE OF TECHNOLOGY IN BANKING SERVICES

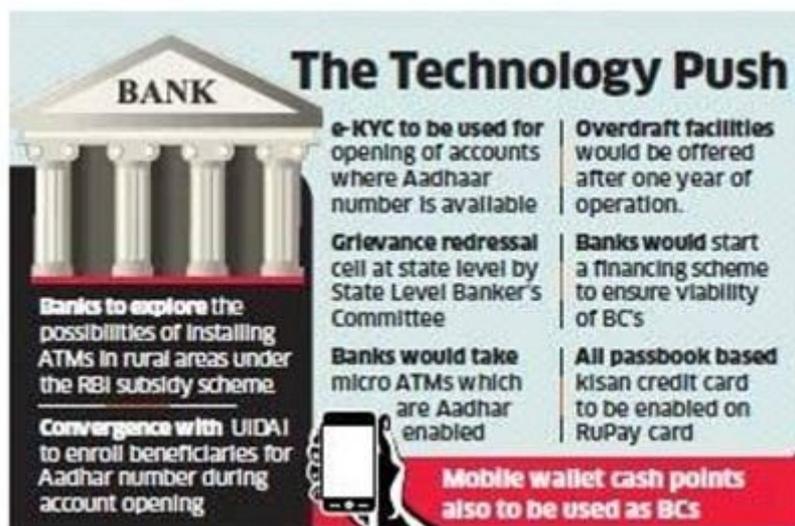
**Big data analytics and cloud:** Data is obtained from customer posts on social networking platforms, websites, past purchases, and browsing history. Data collected by tracking email ids that customers use to log in to and access social networking sites is linked to the email ids they use to register on the website. Various investing options browsed and liking behavior towards any specific sector or company should also be taken into account. Using big data analytics, this data is processed and used to generate recommendations for customers when they log in to the website/mobile app/digital display. Software, which can pull product reviews from social networking sites or review given by financial experts, is used to display reviews in the review section of the website. A database management software is required to record data obtained about customer activity/interaction and processed data. This software is linked with the cloud, so

that the data can be accessed from anytime, anywhere. The cloud server also needs to store information about the availability of products and their locations.

**Mobile app/surface:** These platforms can help browse through catalogues, check availability and accessing current status of the finance, buying any product, getting intelligent suggestions, etc...

**Biometric:** Biometric credentials cannot be lost, stolen or forgotten. Also it cannot be socially engineered, shared or used by others. There is no requirement of remembering the password or PIN. Also, it's always available with the respective individual. It provides highest levels of security and assurance of safety. Although biometric provides highest level of security, it is not as easy to implement as normal username and, password. Also, it brings high cost of implementation along with care, which need to be taken care since its implementation will is always going to be with another system / software.

**Smart Phones/surfaces/tablets:** These products will be used to raise requests and also, provide assistance. The Also user will be able to review the portfolio of the products. Linkage with the personal portfolio will show impacts of markets up/down and opportunities & threats too.



Source: [http:// Technology in banking services.com](http://Technology in banking services.com)

## 5. TRENDS AND OPPORTUNITIES

### • Changing consumer behavior in favor of digitalization

As the market is exposed to disruptive digital services, it is now putting its hands on changing client preference from traditional banking to its digitalization. Also, India's demographic dividend is well suited to switch to digital behavior, with the median age of an Indian expected to be 29 years by 2020 and 900 million population falling in the age group of 15-60 years by 2025. People have actively started using technology to do banking transactions and avail other services because they want more convenience at the cost of paying additional price.

### • Unpenetrated areas and government initiatives

Around 50% of the non-banked population is targeted and progressing towards the goal of financial inclusion, around 160 million accounts have been opened under PMJDY (Pradhan Mantri Jan Dhan Yojna) with Rs. 500 billion being targeted to be transferred directly under DBT (Direct Benefit Transfer).

With this much non penetration and government initiatives to push digitalization, banks have tremendous opportunities and advantages in adopting digital infrastructure.

### • Leveraging increased smartphone usage and mobile penetration

Mobile penetration of around 90% is likely to drive financial inclusion. Mobile phones are likely to spearhead the digital growth in India, taking into account the expected level of penetration and because the youth of India prefer to use smart phones rather than stand in long queues to avail banking services.

## **6. CHALLENGES**

- As per the report of BCG, FICCI, and IBA; 17% of the respondents were unaware about bank's digital offerings, 35% were aware but were not using, 7% were unsatisfied user and 42% were satisfied users. The challenge here is to convert awareness into usage.
- 70% of the MSME and 90% of the shopkeeper transactions were done through cash & cheque, only 9% MSMEs collect orders online, and only 5% accept payments online. This is completely unacceptable in a digital world and thus becomes a challenge.
- The research on retail customers show that out of people not using Mobile Banking apps, 22% do not know how to use it, 18% don't know about bank's app and 14% of them have fear of hacking.

## **7. CONCLUSION**

Utilizing digitalization in an efficient manner holds a great importance in India. It is also depicted by the quote of Nassim Nicholas Taleb, "Banking is a very treacherous business because you don't realize it's risky until it is too late. It is like calm waters that deliver huge storms. Despite the huge potential and well-established promise of digital financial services, there is a need for the players to adopt a holistic approach on going digital and fusing business strategy with all the elements of their operating ecosystem to create a remarkable customer experience. Banks may also need to invest in supporting mobile platforms and analytics, customer service through models like multi-lingual voice-based interaction and simplified service offerings.

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