



DIGITAL TRANSFORMATION IN BANKING: CHALLENGES AND FUTURE IN INDIA

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Introduction:

The year 2020 evidence the greatest pandemic of the century. Lakhs of people were died because of the pandemic and millions of people were suffering the pandemic. It is not wrong to say that during this difficult time it was only internet that was connecting people and provides opportunity to work conveniently. The office works, education, fitness hubs, etc. were not even effected even for a single day. All credit goes to internet. It gives the opportunity to everyone even to those who lost their jobs. People were showcasing their talents and were earning from their talents. There were lot of challenges during pandemic but internet revolution was on peak and it changes the way of doing the work. Even our smallest work was overtaken by the internet. We can't even imagine a single day without the use of internet or without technology.

The same way banking market is also not an exception. The way of investing in market is totally changes form the way it is used to done in yesteryears. In today's time it is quite easy to start investing in market. All you need to have a smartphone and an internet connection. Developers are developing so user friendly apps that they even forecast and organise webinars from time to time so as to spread awareness among its members and that too at very nominal charges.

Methodology:

The study is explanatory and secondary data sources are considered for understand the digital transformation in Bank. The relevant material is collected from various sources like journals, magazines, web pages, Government Gazettes etc.

OBJECTIVE OF THE STUDY:

1. To study the need for digital transformation.
2. To study the digital transformation trends.
3. To study the digital transformation in Bank.
4. To study the Impact of digital transformation.



NEED FOR DIGITAL TRANSFORMATION IN BANKING

Today digital transformation is the need of the hour. Digital widespread availability of business data; teams' ability to process large sets of data using accessible algorithms and analytic methods; and improvements in connectivity tools and platforms, such as sensors and cloud computing. Use of innovative technologies is driving and accelerating the exponential possibilities of digitalization and mandate business organizations to adapt to their respective business. The stimulus is often coming from the front-end of the business where digitization is completely transforming the way we work, live, and relax. Innovations in technology and management practices are creating new opportunities for Bank transformation has become more challenging in recent years on account of the following phenomena:

- (a) The perceptible change in the mindset of consumers digital.
- (b) The pace of changes in technology has driven the business organizations to learn, adapt and adopt modern digital transformation. It is interesting to note that the average length of time that a company remains on the S&P 500 Index has fallen from around 60 years to closer to 18 in the last 50 years.
- (c) A paradigm shift to digital and availability of wealth of of data scientists and data analytics made business more complex and challenging. processes easy, simple, friendly, transparent and agile.

DIGITAL TRANSFORMATION TRENDS IN INDIA

(a) Mobile Banking: Mobile Banking reduces the need to visit brick-and-mortar banks enabling customers to conveniently transfer funds, deposit checks and apply for loans through mobile devices. Online banking ensures delay.

(b)Big Data: to process the data and derive analytical solutions serving the customers effectively tailoring the services based the customer insights.

(c) Mobile Applications: While the banks are digitally are also competing with the banks to deliver customer excellence. Banks are integrating third part mobile apps delivering enhanced services ensuring transparency and eliminating the need to have an intermediate SPOC.

(d) Automated Wealth Managers: AI-enabled Automated Wealth Managers use complex algorithms to calculate institutions to achieve business objectives.

(e) Fin Tech: Banks are leveraging FinTechs to deliver tracking, and online budgeting are enabling exuberant customer support.



DIGITAL TRANSFORMATION IN BANK – MULTIPLE BENEFITS

Standardization: improved performance of the system.

Automated functions: The adoption of technical tools aims to automate the processes that were performed manually till now. Automated services such as procurement orders, invoice

Faster performance: Using Big Data analytics and other Machine Learning tools, processes like a budget prediction to and faster.

Insight-driven functions: based on the data collected

Bank sector from IOTs in following ways:

- a. IOTs in banking sectors is used to collect and analyse data to generate meaningful nformation to meet specific needs.
- b. IOTs simplifies day to day operations be reducing the requirement of human labour. It is also used to solve banking problems such as analysis of saving and spending pattern, balance sheet appraisal and banking planning.
- c. These devices can also be used to improve employee productivity and keep them connected.
- d. It provides strong data protection with options of multiple authentication.
- e. It also helps in improving risk management by collecting real time data on customer assets.

1. Multi Cloud networks: it refers to the distribution of software and workloads within an organisation using one or two private or public clouds. This covid19 situation has created a push towards the adoption of multi cloud architecture to reduce business continuity risks.

This is because company desire for easy ways in managing modern working model, that includes a greater emphasis on enabling remote work and security. A multi cloud strategy is used for variety of reasons including disaster recovery, data residency requirements and resilience.

2. Contactless solutions and digital payments: after demonetisation there was increase in the number of digital payments. And during the pandemic it was the only way of survival and after the pandemic it has become the routine of our life. The technology behind contactless payments are E-



wallets, electronic wallets or mobile wallet solutions that enable users to make payments quickly, safely and conveniently. Several mobile payments are available such as Google pay, paytm, razor pay etc.

3. Block chain: it is decentralised and distributed ledger which records the transactions with respect to digital asset. once a transaction is recorded in the decentralised ledger, it is unalterable. In block chain the integrity of documents are preserved which is crucial in creating trust in digital assets. It is one of the promising and revolutionary technology because it reduces risks, stamp out the fraud, and brings out transparency in scalable ways for myriad uses.

4. Data science, big data, data analytics and artificial intelligence(AI): data science is a broad field of study that deals with data systems and processes in order to maintain data sets and deriving meaning out of them **Big data** deals with that data that is growing at exponential pace and huge in volumes. It is not possible for conventional data to manage and store or process such data efficiently and effectively because of their capabilities and capacities.

Data analytics analyse raw data so as to draw conclusions about the information. It is a broad term that encompasses a number of diverse techniques to get insights that can be used to optimize processes or to increase the overall efficiency of the system or business. Data scientists use data analytics to generate reports with the help of which inferences can be withdrawn.

Artificial intelligence is concerned with building smart machines that are capable of performing such tasks that requires intelligence of human. It is the future and many companies are investing huge amount on it. Some of the examples of artificial intelligence are: speech recognition, customer service, recommendation engines, automated stock trading,

Impact of digital transformation:

1. Huge investment in cloud computing: cloud computing was popular from long back. It was during the pandemic that it was noticed that investment in cloud computing is showing the increase in trends and its necessity also. Many entities are investing in cloud computing and its related software after considering its benefits and cost effectiveness.

2. Cyber security: as the banking transformation is increasing at rapid pace, risk and vulnerabilities are also increasing at the rapid pace and to address such issues upgradation of the cyber securities systems are required.



3. Work from home/Remote working: work from home and remote working were emerged as necessity during the pandemic, later it emerged as a trend in some of the companies. As per a survey by PWC in June 2020 “54% of the CFOs were planning to make remote working a permanent option.”

4. ESG Reporting: ESG reporting is the disclosure of environmental, social and corporate governance data. Its disclosure requirements aim to shed light on companies ESGs activities while improving the transparency of investors and inspiring other entities to do the same. Entities can achieve cost reduction through reduction in physical offices which can lead to lessening the impact on environment, which can form part of ESG Reporting.

5. Upskilling: As the way of doing business is changing. And business is becoming dynamic and transforming towards more and more digitalisation. Professionals are required to upgrade their skills as per the requirements. Many apps are collaborating with universities for preparing such courses that can update the skills of their employees.

6. Digital supply chain management: one of the main factors that helps towards profitability of a company in great way is efficient and effective supply chain management. Digital supply chain management system can take entities to the next level as they use advanced analytics for risk assessment.

Opportunities of digitalization in the banking sector: The trend of digitalization has created many opportunities in the banking sector.

1. Demand for wide range of services : The invocative market is expecting more number of services from the service providers with at a least cost. Of course most of services we find in the market but still there is scope for addition of features with cost reduction in order to increase the number of customers.

2. Merger of Banking Services of Banking and Non Banking Banking Companies: Presently we will find different services are provided by the banks and non banking banking Institutions. The combination of these services will definitely benefit the service providers and customers. This will also help to avoid the unhealthy competition in the market 3. Replacement of Physical or Branch Banking and improving efficiency:

The cost of operating the banking branches is very high in the present day of increasing prices. The digitalization will be a better alternative to the banks and banking institutions to lower the cost the increase the efficiency.



4. The future prospects of AadhaarKYC will make people's life easier with overall processing becoming easy. Further, the digitisation brings peace in people's life with real time transaction with Immediate Payment.

Challenges of Digitalization in the Banking

1. **Dominance of Cash:** In many areas in the economy we found the need and existence of cash. All the transaction cannot be brought under the shelter of digitalization. Therefore efforts are essential to reduce transactions. Lower income and banking literacy levels (low value transactions, smaller fees, need for user education)
2. **Weaker Technology and inability to replace:** Majority of the institutions in the banking market are operating on the traditional technology. replacement and up gradation is expensive.
3. **Threat :** The customers and the service providers in the banking markets are under the threat external of hacking not only that they are exposed to the frauds by the employees.
4. **Lack of Awareness and Mindset:** Once need to accept the fact that in spite of efforts by the Government there are still people without having bank account. In such an there is a lack of awareness digitalized benefits of banking sector. Further certain category customers are reluctant to adopt and adjust with the changes.
5. **Lack of Training g to Staff:** The technical innovations in terms of digitalization of banking services require trained and updated staff as the digitalization at its inception stage due to delay.

The insti not in position to offer for this due to cost or lack of resources.

Suggestions:

1. Creating Awareness of digitalized benefits to the customers.
2. More motivation by the Government for increasing digitalized Transactions.
3. Effective Regulatory system for monitoring digitalized transactions.
4. Provision of technological services by RBI for the needy and poor banking institutions.
5. Strong imitative towards the cashless economy.



Conclusion

The digitalization in the banking services is not a new development but the application is widened with the new developments in the Fin key to survival in this sector will be the ability to adapt to the technological changes and adjust. The best example of transmission we can quote is the mobile loan or internet based loan which has become popular in recent years. The bankers who use to make the borrowers to stand in a big queue in the past are now behind the search of the borrowers. This became possible due to digitalization. The different banking services providers in India have started adopting new technology in order to meet the fast growing needs of the customers. The key to survival in this sector will be the ability to adapt to the technological changes and adjust. There challenges which the service providers need to accept for the survival and progress in the banking market.

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