

Dynamics of Digital Transformation in Banking Sector

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Abstract :

Digital transformation put forward a unique prospect to transform several economic sectors in an economy of the country. The financial services, healthcare service, agriculture and manufacturing creating opportunities for individuals as well as endeavour for the implication of inclusive development and economic growth. However, the digitalization contains to makes difference in the economy by the required technological infrastructure and human capital and other enabling environments of digital transformations. The paper makes to attempt communication technology and the potential impact digital transformation in banking sector.

Keywords : Digital Transformation, Inclusive Development, Economic Growth

Introduction :

Industries began adjusting to the current economic conditions over time. The banking sector has reached the same level of development. One of the earliest financial entities still in operation today is the bank. In the beginning, banks served as a custodian where clients could leave their assets for safekeeping. In order to meet client demand, banks have evolved into digital businesses that offer a variety of financial goods and services. The volume and complexity of banking functions are in high demand due to the economy's fast growth. Consequently, banks' roles also grew more quickly.

Recently, novel payment mechanisms and small finance have been introduced in the Indian banking sector. The management, business, information systems, information technology, and marketing fields have all paid close attention to digital transformation during the past few years. In the digital age, information and communication technology advancements have a major and wide range of impacts on enterprises. New business environments known as "digital business ecosystems" have been produced as a result of changes to existing company ecosystems. Organisations' internal and external environment-related strategy decisions are impacted by changes in business ecosystems. Industrial businesses, numerous government agencies, educational institutions, the financial industry, etc. are all going through digital transformations that are having a notable effect on them. The financial industry, which ranks second, only behind telecommunications, is one of the primary forces supporting the growth of the digital economy.

The Greek economy has been significantly harmed by COVID-19. The fast digitalization of Greek banks and changes in business models have been fuelled by COVID-19 in addition to the economic

downturn and rise in the NPE ratio. Today, 40% of bank staff work remotely (from home), and many operations are carried out electronically in banking facilities. For instance, most employees in central units (as opposed to retail outlets) work remotely using tools like Cisco Jabber and the WebEx platform. Additionally, COVID-19 has made it acceptable for customers to place orders via sending emails. Previously, the consumer had to go to a retail branch in addition to using phone and e-banking. the era following COVID. New abilities and skills are now required across all industrial sectors. However, the employment requirements of the Organisations have also made adjustments.

The banking sector, educational institutions, industrial businesses, and other agencies are all going through digital transformations that are having a notable effect on them. The financial sector, which is in second place, only behind telecoms, is one of the major forces fueling the growth of the digital economy. The primary underlying process is the financial technology (FinTech)-enabled digital transformation of financial service systems, which poses a threat to established financial institutions. Retail banks in particular have led the way in the technological revolution, which is distinguished by the quick adoption and invention of digital services, the exponential rate of change, and ground-breaking innovations that challenge traditional banking practises. The primary issue in banking appears to be the lack of thorough digitalization among traditional financial service providers. As a result, they frequently provide an incomplete variety of services and run into both strategic and operational challenges during the process of going through a digital transformation. In contrast to well-established service providers, there are fresh, creative rivals with novel ideas for concepts, goods, and services-but most importantly, with a cutting-edge multi-channel strategy for marketing, distribution, and communication that targets clients in many ways. Multi-channel business strategies have consequently increased their market share significantly, as seen, for instance, in the case of the German company N26. The financial industry is already being impacted by these business models, according to recent research.

REVIEW OF LITERATURE :

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3. 3)(2014) Sanghita Roy and Dr. Indrajit Sinha. noted that although India's e-payment system has experienced significant progress, there is still more that needs to be done to enhance utilisation. Still, cash is used in 90% of transactions. Technology Acceptance Model was employed for the investigation. They discovered that the four variables that help to strengthen the electronic payment system are innovation, incentive, customer convenience, and legal framework.
4. In their study paper titled "A Study on Factors Influencing Consumer Adoption of Internet Banking in India" published in 2014, Rakesh H M and Ramya T J attempted to investigate the factors that affect the adoption of online banking. It has been discovered that the perceived dependability, usability, and convenience of use of internet banking all have an impact. Experts should emphasise the advantages of using internet banking services when promoting them to customers, and awareness can also be raised to get more people to use them.

5. In his study, Nitsure (2014) noted that emerging nations like India were having trouble adopting E-banking programmes since information technology was not widely used. The report emphasised issues including security worries, norms, regulations, and management. Due to the poor's exclusion from the internet and consequently the financial system, there is a significant possibility of a digital split developing in India.

Technology, organisational, and strategic improvements are all part of the holistic idea of digital transformation. Additionally, it is the transition a company makes from an antiquated way of operating to new ways of thinking and functioning through the use of digital, social, mobile, and new technologies. It is fueled by the development of new business models, changes in consumer expectations, and technological advancements.

The term "digitalisation" now has a number of technologies to enhance current business models, generate new revenue streams, and create value-adding opportunities. It can be seen as a complicated problem that touches on a number of topics, including cognitive alterations. The United Nations Sustainable Development Goals are significantly aided by digitalization. Future economic and environmental concerns cannot be solved sustainably without changing present firms. New social groupings that are partially human, semi-human, or non-human will emerge as a result of digital transitions; some of these groups already exist, while others can be predicted by extrapolating from recent advancements in the fields of brain wearables, robotics, and software engineering. Growing reliance on digital tools and services could cause issues for both people and enterprises. According to Forcadell et al. the obstacles that come with digitalization could thwart the potential advantages and jeopardise their survival. Because of this, business sustainability is important in driving digitalization. It might make up for the negative effects of digitization.

OBJECTIVES OF THE STUDY:

1. To comprehend the Indian banking sector's evolution.
2. To research the changing nature of digital payments utilised by banks.

AN OUTLINE OF THE TRANSFORMATION OF THE INDIAN BANKING SECTOR:

Transformation of Banks

1. In the Indian banking business, the term "transformation" refers to the stage in which the sector is transitioning from the earlier "social banking" era to the newly envisioned, technology-based, customer-centric, and competitive banking. Bank operations have expanded in both multi-directional and multi-dimensional ways.
2. All parameters that were known about the former regime are continuously changing during transition.
3. The current banking transition in India involves a variety of factors. They concern:
Capital restructuring, financial reengineering, information technology, and human resource development are among the list of priorities.

Study evolving digital payment used in banking sector :

The banking industry is a key driver of economic expansion because it directs financial resources into profitable endeavours. The financial sector has seen significant business reorganisation and radical innovation due to the globalisation of technology. As the main providers of financial services in the nation, banks have made the initial push by creating the procedures and infrastructure for digital payments.

Recommendation :

We can comprehend the advantages for both clients and the banking industry from the full research of the notion of banks' digital payment systems. Complexity is involved in the operation of numerous applications related to digital payments in order to make them user-friendly. Lowering the transaction costs associated with digital payments so that they are more advantageous than cash payments. Vendors must be given incentives to make them more receptive to accepting digital payments in regular transactions. It will assist in lowering tax evasion by citizens and boosting government revenue. Indian banks can now function more confidently with international modern banks as result.

Conclusion :

The conventional banking system's primary activities were limited to accepting deposits and disbursing loans. As the decade went on, innovation began to emerge in the banking sector as well as other industries. Data analytics, convergence, and other technologically driven changes are the result of this shift. These factors are causing the banking sector to undergo significant upheaval.

Banking institutions had to adapt to technology and market trends as a result of digital transformation in order to give customers a simpler and more enjoyable experience. The government's programme, Digital India, as well as rising internet and smartphone usage are to blame for the rapidly expanding need for digital payments. As they increase the country's GDP, digital payments are crucial to banks and the economy as a whole. The popularity of the platform among users has led to a rapid expansion of the Indian digital payment system. However, with an astounding 11.2% currency circulation to GDP (% GDP) ratio, cash continues to dominate the Indian economy. India has worked extremely hard over the past five years to increase digital payment in an effort to get towards a cashless society. Because it is widely used, easily accessible, and accepted today, cash is frequently used to make payments. Lower client costs and no KYC procedures are further benefits. Banks have assumed a leading role in creating the fundamental framework and operational procedures for digital payments as a result of their substantial contributions to the country's financial services. They are putting their efforts into obtaining growth.

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