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A Study on Digitalization of Banks within India

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ABSTRACT In today's era the new mantra 'Digitalization' which has evolved in recent times is considered to be the crux of banking sector in India. Globally banks have revolutionized and transformed into the concept of Anytime, Anywhere banking and India is not an exception. The major importance of digital banks lies in their ability to be omnipresent and many technologies are to be adopted for digitalizing banks. This conceptual research article deals with evolution of digital banking in India and the major challenges associated with it. Digital revolution has changed the course of history in banking industry and traditional branch banking leaving a major implication on both industrial and organizational structure.

KEYWORDS : Digitalization, Branch banking, Anytime Anywhere banking

Introduction:

Digitization in the banking industry essentially means making banking smooth and seamless for customers. Today Information technology has become an important tool for an efficient banking system, and Indian banks have put in place a fairly strong infrastructure to leverage its benefits. The 'Digital India' campaign has the potential to transform the Indian banking industry. Apart from demonetization and new payment banks, many other policies and regulations are expected to be in place in the upcoming years which can bring a paradigm shift in the Indian banking sector. The Digital India vision aims to transform India into a digital economy.

In the recent years, there might be decline in the usage of branches and tremendous increase in digital banking consumption. Most of the private banks and public sector banks are focusing on new technology-based services to its customers like digital branches, mobile banking, mobile banking apps and e-wallets.

The biggest advantage of digitalization in banking is ability of banks to provide new propositions and customer specific business models by analyzing the banking pattern which explores the customer value to the maximum. Banking industry in India has also achieved a new height with the changing times. Customer services and customer satisfaction are prime responsibilities of banks now days. Information technology has given rise to new innovations in the product designing and their delivery in the banking and finance industries. It is becoming essential for banks to integrate Internet, branch network, and mobile banking channels so as they can attract and retain customers.

Furthermore, despite the significant increase in the use of direct channels, i.e., Internet, phone, and mobile. Customers have not altered their preferences concerning the use of the branch. Increase Relevance of Branch Services to the Customer through Channel Integration Challenging business environment within the banking system create more innovation in the fields of product, process and market. Customers today are demanding a more personalized service and look for an optimal customer experience. Direct in-person customer contact and customer advisory services in the branch provide opportunities for banks to enable a high-quality, differentiated customer experience supported by innovative technology, such as surface computing, information or transaction terminals, interactive media, and multifunctional ATMs (cash points), enhancing the customer value proposition .

The banking sectors efforts to shift towards digital channels have been halting, at best — a business unit here, an upstart department there. But there is increased urgency to adopt a holistic approach towards digitalization and integrating the strategy across the banking ecosystem. Embracing a fully digital strategy requires complete modernization of a bank's infrastructure. Starting from integration of multiple customer touch points, development of an integrated and consistent customer experience, offering customer-centric services based on changing customer behavior and preferences, leverage of technology-led direct channel innovation for the self directed and mobile customer, improve the customer experience in the branch through technology-led enhancement and technology-led integration of data analytics, business intelligence, and capabilities across all channels.

Literature Review:

A feature of the banking industry across the globe has been that it is increasingly becoming turbulent and competitive, characterized by an increasing trend towards internationalization, mergers, takeovers and consolidation of the banking industry. Moreover a number of non-banking companies are entering the banking industry by offering financial products and services. This has given too many options to customers in choosing banking services. As a response and aided by technological developments, banks have attempted to build customer satisfaction through providing better products and services and at the same time to reduce operating costs. Thus the banking industry has been constantly innovating and with the advent of technological developments, particularly in the area of telecommunications and information technology, one of the latest innovation that took birth, and quite inevitably, has been the internet banking. This phenomenon has attracted a number of empirical studies (Bielski 2000; Booz, Allen & Hamilton 1997; DeSourdy 2001) that analysed the development of electronic banking and its operations.

The banking industry is constantly responding to changes in customer preferences and needs; increasing competition from non-banks, changes in demographic and social trends, information technologies advances, channel strategies, and government deregulations of the financial service sector (Giannakoudi 1999; Byers & Lederer 2001). Success or failure of many banks is dependent upon the capabilities of management to anticipate and react to such changes in the financial marketplace. In search for sustainable competitive advantages among the competitive and technological financial service industry, banks have recognized the importance to differentiate themselves from other financial institutions through distribution channels. This has resulted in banks developing, and utilizing new alternative distribution channels to reach their customers (Daniel 1999; Thornton & White 2001).

Mohammad Zoynul Abedin and Md. Mahabub Alom examined the extent to which digitalization has affected the organizational structure of Bangladeshi banks.. The study found that standard operating procedures, policies, culture, surrounding environment and management decisions were all affected by digital revolution. They concluded that digital revolution has changed the course of history in the banking industry leaving far reaching effects and implications on both the organizational and industrial structure.

What is digitalization?

Digitization is the process of converting data into digital format. Digitalization means the adoption of technology. But these two words are being used interchangeably.

Role of digitization in banking

Digitization is not an option for banking industry, rather it is inevitable because every industry is being digitized and banking sector is no exception. Digitization is not just a distribution and retailing phenomenon. Digital technologies, solutions, and thinking will have a substantial impact across the full range of banking activities. For example, in banking operations, process digitization will lead to the automation of most back-office processes. Digital banking is known to comprise of three levels which have been explained below:

- Basic Level: It comprises bank's websites which provide information on a variety of products and services to the public in general.
- II. Second Level: Simple transactional websites constitute the second level. It allows the customers to submit their miscellaneous requests and queries.
- III. Third Level: Fully transactional websites are found in the third level. These websites enable the customers to operate their accounts. Some banks even do not have a physical presence, but are still existent virtually. They are commonly known as "Virtual" or internet only banks.

Advantages of digitization in banking

Improved customer experience, Reduction of costs for banks and customers as well by using ATMs, cashless transactions etc., With more digital data available with banks, they can take data-driven dynamic decisions by using digital analytics, Number of customers will be increased for banks because of the increased convenience of banking, Digitalization reduces human error, Need of handling large amounts of cash will be reduced. Although there are certain disadvantages of digitalization yet these advantages cannot be ignored.

Conclusion:

Computers are getting more sophisticated. They have given banks a great potential .The changes that new technologies have brought to banking are massive in their impact on officers, employees, and customers of banks. Advances in technology are allowing for delivery of banking products and services more conveniently and effectively. Rapid access to critical information and the ability to act quickly and effectively will distinguish the successful banks of the future. Banks gain a competitive advantage by having a technological development at customer service and business processes.

The impact of digital technologies on financial services will be large and pervasive. The result is likely to be a very different financial services landscape. Traditional players will fundamentally reconfigure their operations. Complex collaborations among players in financial services and other sectors will be established. New entrants, some with very different business models, will emerge. It is already clear that creating a successful bank for the digital era will require a major reworking, and in some cases, reinvention, of today's banking operations. Not all banks will be able to move at the pace required by the market.

The digital revolution will also have impact on the banking workforce. They are likely to require the building of new technical skill and knowledge sets, the incorporation of artificial intelligence capabilities, and much greater management flexibility. These changes will affect executives as much as the general workforce. Management of change processes, undertaking end-to-end process redesign, and product and service innovation, will all require significant changes in management approach and thinking.

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