



# **DIGITAL TRANSFORMATION – A REPORT ON ITS IMPACT IN BANKING & FINANCIAL SERVICES**

**DR.T.JAYASHEELA**, ASSISTANT PROFESSOR,  
CHELLAMMAL COLLEGE,CHENNAI - 600032.

**D.SUJATHA**, ASSISTANT PROFESSOR,  
CHELLAMMAL COLLEGE,CHENNAI – 600032.

## **ABSTRACT:**

In this fast moving world, Transformation and up gradation are the key words for any company which wants to compete in the race. Right from clock, the shift towards Digital transformation has acquired great attention due to advancements in technology. Though it is not an easy process, Business continue to adapt the techniques of digitalization at all levels. It mandates an overall scrutiny of the way the company does it business. Every aspect of the company must be kept in mind and analyzed to keep in track with dynamic customer needs and wants. Hence, the transformation of the business into a digital platform undoubtedly becomes the need of the hour.

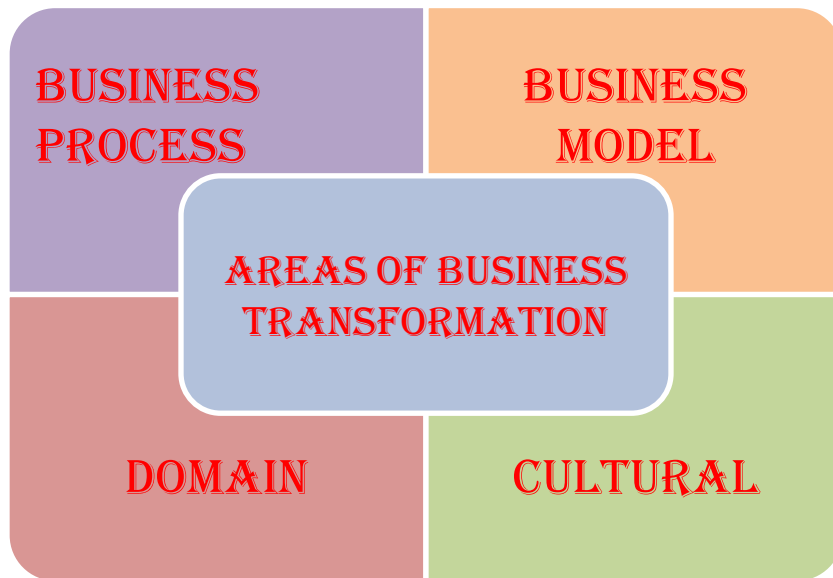
**KEYWORDS: Digital Transformation, Impact, Banking, Financial Services.**

## **1. DIGITAL TRANSFORMATION – INTRODUCTION.**

Digital transformation in banking may be a cultural, structure and operational modification through technologies. Digital transformation means that enhancements in an exceedingly wide selection of areas associated with offerings, method automation, client expertise, information integration, structure flexibility and sales.

This technological trend determines the direction the business is taking. The ultimate goal of this digital transformation is to grasp and fulfill customers' desires all in touch of a button or in a single click. This level of technological gracefulness, with versatile services, new business models and quicker time-to-market is that the essence of digital transformation.

## 2. MAIN ELEMENTS OF DIGITAL TRANSFORMATION.



**Process Transformation:** In today's world of digital transformation, Process transformation involves utilization of digital technologies to change or improve existing business processes which shall enhance something from automatic information entry to implementing computing to contour decision-making.

**Business Model Transformation** - The business world is dynamical and hence digital transformations aim deeper into industry models.

**Domain Transformation** - The current domain transformation market is one in every of the foremost important opportunities for company growth.

**Cultural/Organizational Transformation** - The journey to making a comprehensive and cohesive complete expertise will be difficult, however it'll ultimately lead you down the trail of delivering associate overall higher outcome for your customers.

## 3. BARRIERS TO ADOPT DIGITAL TRANSFORMATION BY BUSINESSES:

### Lack of Skilled Force:

One of the largest challenges facing businesses is that the lack of a talented force. They're unable to attain their digital transformation goals as a results of a shortage of technically-skilled people in their force.

### Lack of information:

Another huge challenge facing businesses is that the lack of information. In order to make informed decisions about digital transformation, businesses need data. However, many companies don't have the data they need to make these decisions. This may be due to poor data management systems.

### **Budget constraints:**

The cost of digital transformation is something that should be taken seriously. If the ROI of digital transformation could be forecasted effectively it can land up in good returns else can create a belief that its not worth the investment.

### **Security concerns:**

Security is a major concern for businesses when it comes to digital transformation. With so much data being collected and stored online, there's a greater risk of it being hacked or stolen. This can lead to a loss of customer trust and confidence in the company.

### **The continuous evolution of customer needs:**

The process of digital transformation is not a simple one, and it may take many years to complete extensive transformation activities. With the rapid pace of change, customers' needs and expectations are constantly changing.

## **4. DIGITAL TRANSFORMATION IN BANKING.**

With transformation in the digital platform comes in to the picture, the sector which demanded the change would be Banking due to the customer's ever-changing wants and needs. Banking sector play a really crucial role in facilitating in the creation and maintenance of a sturdy payment system to fulfill the wants of companies, the government and general public. Even before the pandemic, Banking looked into numerous opportunities to ease the grievances of Customers in digital platforms. The Indian banking sector, at the present is witnessing an IT revolution and is heading towards digitalization. The banking now could be not just limited to transactions within the branches, but it's made its way into hand-held devices like smart phones and tablets. The present phase of banking is also aptly called as 'Digital Banking'.

## **5. BOONS OF DIGITAL TRANSFORMATION IN BANKING:**

The strategy of Digitalized Transformation in Banking Sector has given the following boons:

- Considerable reduction in Paperwork.
- Less time is consumed in servicing clients, conducting transactions and settlements.
- Increased productivity and Organizational transparency.

- Effective teamwork.
- Lower operational costs which enhances revenue.
- Risk reduction in core activities.

## **6. DIGITAL TRANSFORMATION IN FINANCIAL SERVICES:**

Due to COVID – 19 Pandemic, the global economy was expected to get shrunk by 5% in 2020. On the other side, this crisis has paved way for the triggered economic transformation ensuring an increase in the acceptance of digital financial services. Although the digital transformation was a development priority even before the COVID-19 crisis, it has now become indispensable for both short-term as well as long-term sustainable recovery efforts.

The four fundamental shifts that are forcing financial institutions to accelerate the rate of digital adoption are listed below:

### **1. Forced adoption of online and mobile channels**

Social distancing and lockdowns are forcing people to stay indoors or go outdoors only to buy essential items. This has forced the rapid adoption of digital technology across the globe.

### **2. Digital and contactless payments**

The lockdown has witnessed a race among retailers to set up e-commerce capabilities to capture sales. With consumers shifting to online purchasing, there has been an acceleration towards digital and contact payments.

### **3. Virtualization of the workforce and ways of working**

Previously, financial institutions hardly imagined their workforce working remotely. But, the COVID-19 pandemic has forced financial services companies to build a remote work model.

### **4. Evolution of economies and underlying market structure**

Even though financial companies have been enjoying stability for years, the COVID-19 pandemic has fuelled margin pressures for companies.

## **7. COMMON DIGITAL TRANSFORMATION TRENDS IN THE FINANCIAL INDUSTRY:**

### **1. Mobile banking**

The digital banking environment allows customers to transfer funds, deposit checks, and apply for loans easily from their mobile devices. Today customers prefer to do online banking at their convenience instead of visiting the brick-and-mortar banks. More and more customers prefer to use mobile banking as it allows

24/7 access, almost negligible waiting time, and ease of use. Mobile banking has changed the functioning of banking and financial institutions to a great extent and is expected to grow further in the coming years.

## **2. Blockchain**

Blockchain is gaining momentum steadily and will play a crucial role in digital payments, loan processing, escrow facilities, etc.

## **3. Big data**

Big data is everything. Financial institutions including banks are using machine learning to process data and drive effectively. Big data helps banks and other financial institutions to serve their customers efficiently by tailoring their services based on the insights gathered. Eventually, this can help financial institutions to bring in more investment and create a great work environment for both employees as well as customers.

## **4. Mobile apps**

While everything in banking and other financial services is going mobile, there are third-party financial service providers who are competing with the banks. They could be financial managers, unconventional leaders, or financial budgeting. Banks will have to consider ways to integrate these third-party services.

## **5. Automated Wealth Managers**

Automated wealth managers have made financial planning a breeze and are also helping people achieve their business objectives accurately and with great returns.

## **8. TRENDS OF FINANCIAL SERVICES DIGITAL TRANSFORMATION:**

Nearly all (97 percent) of financial services firms are making some sort of inroads on digital transformation—whether they're in the process of developing a strategy or already implementing one. More than a fifth (21 percent) list developing a digital transformation strategy as their top digital priority. Nearly one fifth (17 percent) of financial services executives say that investing in innovative digital capabilities for anticipated business needs is a top digital priority.

Data privacy and cybersecurity will remain a serious problem for decades to come, as attackers use increasingly sophisticated methods and enter through a greater number of entry points due to the proliferation of technology platforms and IoT devices. Financial services companies, with their treasure trove of sensitive client and third-party information, are particularly susceptible to these attacks.

It could be found that 68% of the financial services companies have developed a digital transformation strategy vs 63% of all organisations.

Only 14% of financial services companies are in the process of implementing their strategy vs 23% of all organisations. 54% have developed a strategy but have not started implementation.



## CONCLUSION:

The successful digital strategy integrates many facets of society. In short, societal value perception drives innovation. This demand for technologically advanced products and services affects not just expectations for everyday objects but also the components necessary to connect them to IoT. Hence it is evident that Digital Transformation has a solid impact in the Banking and Financial Services Industry and shall witness enormous changes in the upcoming future.

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