

Digital Banking Revolution: Challenges and Opportunities of Banking Industry

Malini Krishnakumar

Abstract

Traditional banks are changing their internal policies and processes, while becoming capable of solving customer problem digitally. Digital transformation that has upended industries from retail and media to transport and business to business commerce is now sweeping the financial services industry. Banks that learn to adopt new technologies adapt their products and processes and become more adept at delivering tailored solutions to their customers will succeed. Mobile banking and digital payments service providers such as FreeCharge, Ola money, Oxigen, and Paytm. Globally, the digital transformation of banking services allows an expansion of access by leveraging digital channels and customer information, and a reconfiguration of a product and process value chains to offer new products and serve customers more efficiently. While the final structure of a digitally transformed financial services sector could take different forms, the degree to which banks continue to play a role will depend on a combination of initial conditions and adaptability.

Keywords: Digital Transformation; Financial Services Industry; Tailored Solutions; Mobile Banking; Digital Payments; And Digital Channels.

Introduction

The digital transformation that has upended industries from retail and media to transport and business-to-business commerce is now sweeping the financial services industry. This was inevitable, as ubiquitous computing power, pervasive connectivity, mass data storage, and advanced analytical tools can easily and efficiently be applied to financial services. After all, money was already extensively (though not exclusively) created, used, stored, processed, and delivered electronically.

Immediacy and personalization have become the norm for consumer goods and services. Consumers have rapidly become accustomed to making

purchases with a touch of their finger wherever they may be, receiving tailored recommendations, choosing customized products, and enjoying delivery of almost any item directly to their front door. Businesses failing to adapt quickly to these technological developments can fail dramatically, and many have already done so, including Tower Records, Borders Books, Blockbuster Video, and countless travel agents and brick-and-mortar retailers. Consumers' new expectations apply to financial services as well.

Technology has transformed business-to-business and within-business interactions, too, enabling reconfiguration of design, production, marketing, delivery, and service functions through distributed supply chains, freelance design, outsourced manufacturing, and contract warehousing and delivery. These reconfigurations are mediated by online marketplaces and distributors, and assisted by back-end support operations and data analysis that together drive better risk assessment, faster fulfillment and more efficient customer service.

The same types of disruptive market innovations and reconstituted value chains are now emerging in the financial services industry. This poses

Author's Affiliation: Research Scholar, Kerala University of Fisheries and Ocean Studies (KUFOS) and Assistant Professor, Holy Grace Academy Of Management Studies, Mala, Kerala 680732, India.

Corresponding Author: Malini Krishnakumar, Research Scholar, Kerala University of Fisheries and Ocean Studies (KUFOS) and Assistant Professor, Holy Grace Academy Of Management Studies, Mala, Kerala 680732, India.

E-mail: malinikrishnakumar@gmail.com

Received on 28.11.2018, **Accepted on** 31.12.2018

distinct challenges for incumbent providers such as banks, finance companies, microfinance institutions, and insurance companies, as financial technology—or FinTech—innovators enter their markets. Incumbents, too, can benefit from these developments, which will enable them to broaden financial access, introduce new products and services, and serve customers more efficiently by deploying new technologies internally or in partnership with external innovators.

Digital Banking, also known as online banking or virtual banking or internet banking is a system which enables banking transactions like transfer of funds, payment of loans and EMIs, deposit and withdrawal of cash virtually with the help of internet. It is one among the extended features which banking institutions provide, in addition to traditional banking. e- Banking is the most used feature by the citizens of India after the effect of demonetization. This feature is assumed to be one of the most flexible, adaptable and secure ways of transacting among the users/customers to bank. However, it depends on the trust that an individual has on the bank he/she is operating with. There are different types or sectors under e-banking services. The major services offered are Internet banking, SMS banking, ATMs, and mobile banking, e-cheques, and debit/credit cards.

Advantages of Digital Banking

There are some advantages of digital banking. They are

Convenience: Digital Banking is a service which is available to anyone and everyone who is a bank account holder. It allows the customers to easily access the bank's website using their username and passwords; and carry on with the transactions even if the bank is closed.

Flexibility: Digital Banking is very flexible in terms of time and in terms of place. We can do our banking transaction like 24*7. And we can access our bank by sitting any part of the world. It enables the customers to do any banks dealings like withdrawal of money. Transfer of money, payment of bills etc.

Time Saver: The greatest advantage of today's generation is they do not spend a lot of time for anything. Its only because of the technology up gradation. Time management is one of the greatest challenges in our busy lives. Digital Banking enables us to carry on banking transactions within minutes, not disturbing our routine. (Sriram Devulapalli, Sai Karthik Oruganti 2016).

Challenges of Digital-Banking

Digital banking faces many challenges. Here we are discussing the major challenges of digital banking.

- ❖ *Low Broadband Internet Penetration:* Compared to any other countries in Asia like Japan, Korea, Taiwan and Singapore, India has one of the lowest broadband connectivity penetration rates. While the metropolitan cities in India such as Mumbai, Delhi, Chennai and Bangalore have relatively higher broadband penetration rates. Slow connectivity speeds often damage the online banking transactions and gives bad experience to the customers. Then the customers are reluctant to use digital banking for their banking transactions.
- ❖ *Banks' Ambivalent Commitment Levels:* To sustain in the competitive world all the banks are trying to adopt the new technologies like digital banking. They are doing the same because they are competing with the multinational bankers. Very recently only the state owned and public sector banks are using digital banking in their operations it is because of the lack of huge funds and the fear of poor acceptance levels of internet banking by the customers.
- ❖ *Customers' Preference for Traditional Branches:* There are n numbers of highly active traditional bank branches in India's major cities. And their customers are waiting there to complete their banking transactions for lots of hours. But they are not complaining about this. It is because they prefer a personal touch and customized service offered by the staff in the traditional branches. And many of the Indian customers are not ready to call to the call centers to raise a complaint instead of visiting the branch.
- ❖ *Fear of Online Threats/Scams:* Prevalent online threats about hackers, identity theft, stolen passwords, viruses, worms and spy ware tend to make customers wary just like in any other country. So the customers are not ready to go for online banking. This is also a major challenge of the digital banking. The customers are not sure about the security is given by the banks.
- ❖ *Impersonal:* No individual is there in between the customer and the bank when we are using digital banking. A complete impersonal transaction is happening while we are using online transactions. Some customers are not willing to do their transactions like this. They may have some favorite personnel in the

branch. and they will get some personalized services from those people.

- ❖ *Difficult for first timers:* It is very difficult for the first time users navigating through a website of internet bank may ask so many questions sometimes the user may upload his photo, id proof and other personal details. It may lead to some confusions and errors. It is better to provide some online tutorials or live tutorial in the branch itself how to use the internet banking.
- ❖ *Security fraud:* Many customers are standing away from the digital banking because of the security threat. They are very much worried about the security aspect because the frequent news on fraudulent bank transactions that pop up every now and then. But the banks should protect the customers from these fraudulent practices and must provide advanced security options.
- ❖ *Regulation and Legalities:* Internet banking makes it possible for banks and their customers to do business from anywhere in the world. This greatly increases the bank's potential client base. But the rules and regulations pertaining in different countries are different. So customers make sure that they are obeying the country's legalities.
- ❖ *Reputation:* Problems such as governance and security have the potential to make a bank look bad to clients. Additionally, the more a bank relies on Internet banking, the more the bank may gain an impersonal feel. Both of these problems may discourage clients from choosing a bank that relies on internet banking, regardless of how convenient internet banking may be. (Sriram Devulapalli, Sai Karthik Oruganti 2016).

Opportunities Related to Digital Banking

Some of the opportunities of digital banking are as follows:

- ❖ *Increasing Internet Users & Computer Literacy:* The increasing number of internet users in India is a very big opportunity for the banking industry. And the young generation does not want to spend time in bank branch. So the banks should en-cash this opportunity to attract more internet users to adopt internet banking services. And the customers are ready to spread their knowledge with others.
- ❖ *Initiatives Taken By Government Agencies For*

Financial Literacy: Today our government itself very keen about the financial literacy and education. This plays a crucial role in financial inclusion and growth. The studies reveal that there is a close relationship between the financial literacy and the use of internet banking. If the customers do not have adequate financial literacy they will be reluctant to use digital banking and will stick on to the traditional banking prevailing in India. So the banks will not able to convert their banking operations too digitally. Various government institution like RBI, SEBI, IRDA and various other institutions have taken lots of initiatives on financial education. They are preparing a school curriculum to educate school students, college students, working people, home makers, and retired people. It includes various topics include internet banking, banking products and services, advantages of digital banking etc.

- ❖ *Competitive Advantage:* The invention of digital banking helps the banks to reduce cost, improve customer relation and increases the geographical reach of the bank. All the public and private sector banks are looking forward to capture the latest technology to attract the customers. So adopting digital banking considers as a competitive advantage over the other players in the banking industry. And the digital banking is helping the banks to manage their banking business in a better way. (Sriram Devulapalli, Sai Karthik Oruganti 2016).

Measures to be Taken for Safer Digital Banking

So we saw the main challenges and opportunities of digital banking. Many of the customers are reluctant to use internet banking because of its safety reasons. They think like by using digital banking there is a chance to lose their confidential information. So let's see what all are the measures which we can take for a safer digital banking

- ❖ *Password:* While we are creating a password we should assure that it is safe and secure. So we must set the password with a combination of upper cases, lower cases, numbers and special characters. And we must change the passwords frequently in order to keep our accounts safe..
- ❖ *Usage of public computers:* Avoid using cyber cafes or public libraries for your banking transactions. There is a chance of tracing your passwords and other credentials. And never allow the browser to remember your ID and

password. You should make sure that you deleted all the cache, browsing history and temporary files from the system.

- ❖ *Confidentiality*: Now a days we are receiving lots of anonymous calls like they are calling from our bank and they need our bank details. First we must understand that this is a fake call and no bank will ask our confidential information via mobile or email. So do not give your confidential data like the login details. And also you should not share your login information to even your family and friends.
- ❖ *Regular check is must*: Regular check of your account is mandatory because if you transfer some money you have to check that the right amount is deducted from your account and if you find any mistakes you have to inform the bank immediately.
- ❖ *Anti-virus software*: To protect our system from hackers we have to install anti-virus software in our computers. We can use the pirated version of anti-virus software which is available in the internet for free but some software can break the security. And you will get notifications to update your anti-virus and you have to update it properly and in time. Otherwise there is a chance to lose your confidential information.
- ❖ *Disconnect the internet connection when not in use*: If we are not using the internet try to switch off the broadband connection. It is the best option to avoid hackers. Hackers may use the opportunity to hack our banking security at the time when we are not using the connection but the system is switched on. (Sriram Devulapalli, Sai Karthik Oruganti 2016).

Conclusion

The growing advancement of digital banking reduces the time consumption of traditional banking and also helps the customers to do their banking transactions in their home itself. The wise use of every technology will give a better result. Digital banking enables the more transparency in banking industry. After demonetization lots of banking scams came to light. It's only with the help of digitalized banking transactions. It helps to spread the banking habits to the younger generations.

References

1. Advantages of E-Banking by Neil Kokemuller, Link: <https://budgeting.thenest.com/advantages-ebanking-24063.html>.
2. Online Banking – Advantages and Disadvantages, an article from FinWeb website, Link: <http://www.finweb.com/banking-credit/online-banking-advantages-and-disadvantages.html#axzz4nC6KPQkL>.
3. The advantages and disadvantages of Internet Banking by Paul Goodman, a former teacher of digital media studies in the UK, Link: <https://toughnickel.com/personal-finance/advantages-and-disadvantages-of-internet-banking-2>.
4. Advantages and Disadvantages of Internet Banking, an article by Vinish Parikh, Link: <http://www.letslearnfinance.com/advantages-and-disadvantages-of-internet-banking.html>.
5. ManikyamRatna K. Indian Banking Sector- Challenges and Opportunities, IOSR Journal of Business and Management. 2014; 16(2):52-61.
6. MC Sharma, Abhinav Sharma. Role of Information Technology in Indian banking Sector. SSIJMAR. 2(1):1-12.