

Digital Transformation of Banks in India: The Opportunities and Challenges faced by Retail Banking Sector

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Abstract: Digital disruption has taken place over a period of time from industry to industry and banking is no exception. Retailing as industry on a broader scale started experiencing digitalization in 1990s but is now witnessing a wide change in terms of technology. Digital is better, stronger and faster. Also in today's scenario with the development of big data and cloud the cost associated with digitalization is also being reduced. Globally banks are becoming digital and hence even if banks in India doesn't want to develop a digital brand it still need to remain in the competition with other banks overseas in terms of brand and services. There are plenty opportunities for banks in India in terms of digital transformation. Yet a major challenge for banks comes from the regulation which differs across nations.

Index Terms – Digital disruption, digitalization, retailing

I. INTRODUCTION

Today's global organizations are continuously undergoing and technological and digitalization changes to meet the unexpected business challenges. High competition demands organizational readiness to respond to change rapidly in order to remain in the market and meet expectations of the stakeholders. The financial services industry is going through dramatic changes as a consequence of changing customer behavior, increasing expectations, channel proliferation, disruption, innovative use and adoption of new technologies and the digitization of business and society in general. Cost reductions, increasing top-line revenue and mitigating risk remain the key drivers, also in retail banking. The center of attention of the retail bank branch is shifting. This often includes requires investment in offering digitization possibilities and digital experiences within the branch, while reconsidering the tasks and roles of various branch employees. Such transformations in the role of the retail bank branch can lead to staffing changes.

Making the branch a point of human interaction and of digital information processing can start at the level of enabling customers to digitize their own documents or training branch employees to quickly do so themselves or assisting customers using state-of-the-art capturing and processing technologies, intended for use in customer-facing situations and the processes underlying them. Retail banks have made important efforts to put customers at the center develop digital banking possibilities and optimize the customer experience. Consumers do expect interaction possibilities, depending on the context, even if banks digitized completely. There is a range of interaction which requires human support if banks want digitalization to be successfully implemented.

II. LITERATURE REVIEW

A successful digital strategy is very disruptive, and there is no painless way to implement it. It requires a quantum shift away from hierarchical structures, complex bureaucracy, and product focus to an agile and innovative culture where design is based on a deep understanding of customers' needs. (Shmat, 2017)

There is an opportunity for banks to create user experiences which could help to deepen customer loyalty. This competitive advantage will only be gained by banks that invest both financially and intellectually; and develop a customer-centric approach by putting the customers at the centre of their strategy by catering directly to their various needs across all channels. In addition to banks being challenged on how to keep consumers happy through provision of market-leading digital services, there is also an ever rising threat from non-traditional new entrants into the banking market. The capitalization of digital technology by new entrants is beginning to destabilize the traditional banking model. (KPMG, UK)

The banking industry which was among the big job creators along with the information technology industry in the past two decades is at an inflection point where technology is enhancing efficiency by doing more and at a faster pace than what humans could do. The Indian banking industry has been witnessing a slow transition from people-driven to machines controlled in the past few years. The technological development, which has made banking easier, has also led to a slowdown in the hiring of staff at banks. Although there have been hiring, the nature of skill sets required is changing. While Indian banks haven't started trimming the bank branches, the growth in the number and the size of branches has definitely come down. (S. Shukla, 2017)

Banking system and digitalization of banking transactions in rural India is very challenging job with many more opportunities. The rise of the digital economy is driving the fourth industrial revolution. Modern banking is blurring the lines between physical, digital and biological spheres. The possibility of existence of knowledge gap is higher in rural regions which may slow down the emergence of new ventures although its extremity depends upon the types of ventures and the conditions under which they are developed. In our country there are many new online digital program exits and many more program yet to introduced and many of them have big potential for developing our rural India. In the analysis of their paper they found that the initial time of present decade there was less online transaction but after demonetization period the rate of online transaction increased and force fully people use online transactions because of scarcity of currency particularly Rs. 500 and Rs. 1000 note. (R. Kant, 2017)

The digital age is transforming India and its people at an unprecedented rate and level. Technology is providing ample opportunities to empower more and more individuals each day and hence, to grow endlessly. Not one sector has been left untouched by this technological revolution. The banking industry, which is considered as the backbone of any economy, has for long been governed by traditional ways and means in India. But of late, evidence suggests that e-banking has progressed in various countries, and India is no exception to this. This paper aims to briefly trace the evolution of e-banking in India, its current status, and future opportunities and challenges, in the wake of Digital India and demonetization. Demonetization has provided the greatest impetus to cashless transactions across all sectors in the country, including in the banking industry. (A. Bhargava, 2017)

Digitalization is shaping almost every sector of the economy, enabling new ways of doing things, not merely digitising old, often manual, processes. Numerous new digital payment applications have emerged in retail payment markets, but the underlying payment infrastructures have remained almost unchanged. However, it is expected that technological advances combined with increasing competition enhanced by regulatory changes will shape retail payment markets in the coming years. With this evolving new environment will come new requirements, most notably for the authorities responsible for safeguarding the security, reliability and efficiency of payments. To examine this challenge, this paper first reviews the theoretical framework that can be applied in examining the development of retail payment markets. (K. Kari, 2017)

Retail banking is emerging as a promising growth opportunity for the banking sector in India. A growing economy, higher disposable income with masses and banks' purposeful shift to retail credit seem to positively influence the retail segment growth. This paper investigates the challenges to capitalize and gain customer share in this segment. The article discusses the factors leading to growth, industry perspectives, and strategies for the retail banking sector.

III. FINDINGS AND DISCUSSION

The major part of digital efforts in retail banking revolved around the front end employees, predominantly optimizing the customer experience across several touch points and tools. However optimizing the customer experience and improving other business processes, is not just a matter of the front end. It requires an integrated approach whereby the back office and front end are connected. Banks today need very sophisticated analytics and personalization capabilities, as well as greater ability to meet the needs of an increasingly digital population. So banks must implement the right balance between human and digital interactions with their customers.

Leading digital transformation requires both an understanding of technologies driving the change, as well as the ability to lead the organizational transformation. A strong business model that is built on top of the technology is therefore the key to digital transformation and constant value creation.

In the current multichannel model, customers are directed to the least expensive channel which grounds to not only the dissatisfaction, but also the channel hopping. The whole process is inefficient, costly and inconsistent. Omni-channel is not the replacement of multichannel, but it's the enrichment. An omni-channel strategy brings all the key parameters – online and offline channels, data and technology, customer behavior and experience – all, onto one platform.

IV. Conclusions:

Traditionally, bank customers had long-term relationships with their banks. This was built on loyalty and trust, but mostly it was due to inertia and the difficulty of switching banks. The digital revolution has changed all that. Customers want ease of use, simplicity and responsiveness, and digital banking is what provides most of the solutions for everyday banking. Today's demand of banking is: anytime anywhere banking. This requires innovative, robust, secure, optimized and ready to meet the expectations of empowered and tech-savvy customers. The challenge for many banks is that they have a long - standing culture of branch- centric banking. Hence a successful digital transformation is not about technology, it is about the customer, the bank's employees and the culture.

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