



THE DIGITAL REVOLUTION IN COMMERCIAL BANKS

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Abstract

Banks have had to bear high costs to provide financial services to the poor. Market segmentation, low technological development, informality, and weak regulation increase the costs of doing business. While electronic banking can provide a number of benefits for customers and new business opportunities for banks, it exacerbates traditional banking risks. Even though considerable work has been done in some countries in adapting banking and supervision regulations, continuous vigilance and revisions will be essential as the scope of e-banking increases. In particular, there is still a need to establish greater harmonization and coordination at the international level. Moreover, the ease with which capital can potentially be moved between banks and across borders in an electronic environment creates a greater sensitivity to economic policy management. To understand the impact of digital-banking on the conduct of economic policy, policymakers need a solid analytical foundation. Without one, the markets will provide the answer, possibly at a high economic cost. In developed markets now carries a Smartphone, and few doubt that banks will rely increasingly on digital channels to serve the fast-growing population of consumers who rely on multiple devices to conduct daily business online. Where smartphones account for more than half of mobile subscriptions, one-third of consumers are using their phones to make payments. Unfortunately for banks, many of these payments are transacted through mobile apps controlled by online-payments specialists and digital merchants.

Keywords: *Electronic banking, Financial Services, Technology, Banking Customer Performance.*

Introduction

We live today in an increasingly digital world. We are plugged in, connected, and accessible anytime, anywhere. We communicate via text message and social networks. We are increasingly surrounded by the Internet, the network of products equipped with sensors, software, and wireless connectivity. Among the various developments, technology has influenced the way customer interacts with banks. This digital reality has already begun changing the banking industry. It has altered how we bank and introduced new, non-traditional competitors into the marketplace. These new players are using different business models that capitalize on inefficiencies in traditional. The digital, connected world gives retail banks an opportunity to provide services to the unbanked. Worldwide, that figure



is estimated to billion customers. Banks need to embrace the digital revolution as a disruptive force. The first step is to examine business models, processes, and work itself. Doing so, retail banks are likely to discover new revenue streams. In reality, this change is not an option but a necessity. Banks face increasing pressure to improve efficiency, develop innovations faster, and offer customers more personalized service.

Revolution in Digital Finance

A digital transactional platform enables a customer to use a device to make or receive payments and transfers and to store value electronically with a bank or nonbank permitted to store electronic value. Retail agents armed with a digital device connected to communications infrastructure to transmit and receive transaction details enable customers to convert cash into electronically stored value and to transform stored value back into cash. Depending on applicable regulation and the arrangement with the principal financial institution, agents may also perform other functions. The customer device can be digital (e.g., mobile phone) that is a means of transmitting data and information or an instrument (e.g., payment card) that connects to a digital device.

Digital Transformation in Commercial Banking

Increasingly, the brand association of banks is driven by the software and technology that is used to enable and deliver services to the end customer. Software is the differentiator, and for banks to retain their client bases and their brand loyalty, they must invest heavily in the customer experience and place software at the center of their digital banking strategies. The financial crisis pushed an envelope of change through the financial markets and other industries, and provided a catalyst for radical reforms to regulation, technology, approaches to risk, internal operating models and internal client demands.

Delighting the Customer

To meet these high customer expectations, companies must accelerate the digitization of their business processes. But they should go beyond simply automating an existing process. They must reinvent the entire business process, including cutting the number of steps required, reducing the number of documents, developing automated decision making, and dealing with regulatory and fraud issues. Operating models, skills, organizational structures, and roles need to be redesigned to match the reinvented processes. Data models should be adjusted and rebuilt to enable better decision making, performance tracking, and customer insights. Digitization often requires that old wisdom be combined with new skills, for example, by training a merchandising manager to program a pricing algorithm. New roles, such as data scientist and user-experience designer, may be needed.



Digitization of Financial Services

Several industry trends and market conditions have shaped the strategic direction and need for digitization in securities services. Financial globalization has proceeded at a rapid pace in the past few decades. Higher demand for products and solutions, and an increasingly complex economic system mean that financial institutions need to offer a wider array of investment strategies and instruments—over-the-counter derivatives, for example—to a global client base. Catering to clients around the world in turn necessitates the capacity to handle large transaction volumes while maintaining the ability to meet disruptive changes nimbly. As traditional revenue streams struggle to remain profitable, firms are turning toward digitization, not only as a means to increase cost-effectiveness and efficiency in operations, but also as a platform to develop additional high-margin products and services.

The Challenge of Digitization

It is already accepted that the Internet has become a part of mainstream society and reaches all social, age and population groups. The fact that the Internet has become mobile—owing to the development of multifunctional smart phones—can hardly be overlooked in public. The answer to the question of which impact this development has on our everyday lives, however, can only be very vaguely guessed for the time being. Mobility and continuous availability of information and interaction options accessible on the Internet increasingly blur the border between the virtual and real worlds, and users develop completely new behavior and response patterns.

Achieving Comprehensive Public Digitization

While digital transformation in the public sector is particularly challenging, a number of successful government initiatives show that by translating private-sector best practices into the public context it is possible to achieve broader and deeper public-sector digitization.

The six most important public digitization:

- Win government-wide and agency-deep commitment to specific digital targets.
- Establish government-wide coordination of IT investments.
- Redesign processes with the end user in mind.
- Hire and nurture the right talent.
- Use big data and analytics to improve decision making.
- Protect critical infrastructure and confidential data.

Technology Driven Financial Services Innovation



There are financial technology start-ups in India who have collectively attracted. While mobile payment start-ups have garnered a lot of attention, there are many others attacking a range of services that have been the bailiwick of banks and traditional financial services provider's consumer and small business lending, remittances, wealth management, personal finance and related areas such as credit scoring and stock trading.

Digital Payments as High-Growth Opportunity

Not only does the digital channel multiply customer interactions, but mobile and online payments which together form the bulk of "digital payments" are the beachhead from which banks can extend their commercial territory and grow revenue.

Digital payments give banks the platform to do the following:

- **Boost fee and interest income:** On the retail side, mobile-payments solutions, including mobile peer-to-peer (P2P) money transfers, international remittances, and small-merchant mobile card readers, not only increase the frequency of consumer interactions but also boost both the number of charged transactions and the cash flowing through bank systems. On the corporate side, transaction banks that execute well on digital cross-selling stand to increase their market share of corporate deposits and lending.
- **Reach a broader set of customers with more diverse services:** Banks can develop applications for small payments, unattended vending, and ambulant sales to extend the reach of electronic payments and reduce the costs associated with less efficient payments instruments, such as cash.
- **Extend the value proposition:** Banks own rich reserves of raw behavioral data. The mobile channel enhances this data pool with location and search data, which can provide valuable insights into future customer choices.

Conclusion

Digital technologies exist today that allow banks to engage in powerful transformation. By examining their business models and processes through a digital lens, retail banks can identify new opportunities to serve customers in different ways with different partners. In doing so, banks can establish new relationships with customers, build loyalty, and provide new revenue streams.



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