



Digital banking: A paradigm shift in banking

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Abstract

Digital banking is the mode of providing innovative services in all spheres of customer service. It is a win-win situation for both the service providers and clients. Digital banking experience is a series of interactions a customer has on his/her digital device. Advanced technological innovations in the banking sector are changing the process of traditional banking as we are experiencing today. Banks are now moving towards cashless, chequeless and branchless banking. Internet banking, mobile (smart phone) banking, ATM services, IMPS, UPI, mobile wallets, virtual cards, NFC enabled cards, QR code, biometric transfers, block chain technology, wearable banking technology are the major components of digital banking.

Keywords: digital banking, ATM services, IMPS, UPI, QR code, biometric transfers

Introduction

Being digital or digitalization is the word of today. Being digital means using data to make better and faster decisions, devolving decision making to smaller teams, and developing much more iterative and rapid ways of doing things (Lohar Prasanna, 2016) ^[10]. Nothing can be isolated from this digitalized era whether it is business, health care, industry or even human relations. Now all financial institutions especially banks are providing technology based services due to time saving, cost reduction, enhanced productivity, increased efficiency, elimination of urban and rural gap, greater agility. Digital banking is the collective term used to denote all the technology driven services and facilities offered by banks to customers. It includes mobile (smart phone) banking, online/internet banking, Automated Teller Machine (ATM) services, Immediate Payment Services (IMPS), Unified Payment Interface (UPI), mobile wallets, virtual cards, Near Field Communication (NFC) enabled cards, Quick Response (QR) code, biometric transfers, block chain technology, wearable banking technology (Dinesh, 2017) ^[6].

The acceptance of internet banking and mobile banking among the public led to the success of digital banking. Digital banking does not mean to go paperless, but to reduce paper based transactions and provide value added services to the beneficiaries thereby achieving greater degree of satisfaction (IDRBT, 2016) ^[5]. As an end-to-end platform, digital banking must encompass the front end that consumers see, the back end that bankers see through their servers and admin controlled panels and a software that connects these nodes. It is the software that bridges the operating system or databases with other applications. Because of this software, digital banking goes beyond the applications of online and mobile banking.

Digital banking is a new concept in the area of electronic banking, of using new innovative technologies and banking tools. Different institutions and individuals have defined digital banking in different ways. The use of technology will make the life of the human beings simple and easier. The digital banking products will ensure that the customers are benefitted in terms of increased accuracy, reduced errors

and maximum utility. "Digital banking is the application of technology to ensure seamless end-to-end processing of banking transactions/operations, initiated by the client, ensuring maximum utility to the client in terms of availability, usefulness and cost, to the bank in terms of reduced operating costs, zero errors and enhanced services" (IDRBT, 2016) ^[5]. Internet banking and mobile banking are the major components of digital banking. By integrating technology with other platforms, banks can provide superior customer experience. Digital banking – a new concept in the area of electronic banking, which aims to enrich standard online and mobile banking services by integrating digital technologies for example strategic analytics tools, social media interactions, innovative payment solutions, mobile technology and focus on user experience" (IDRBT, 2016) ^[5].

Digital banking is beneficial to banking industry because it will help them to provide value added services to all customers with minimum cost and enhanced efficiency. "Digital banking is delivering a customized but consistent financial institution brand experience to customers across all channels and points of interaction underpinned by analytics and automation and requiring a change in the operating model, namely organization culture, products, services and IT skills and in order to deliver and achieve sustainable economic value" (Celent, 2014) ^[4]. Embracing a fully digital strategy requires end-to-end modernization of a bank's often outdated infrastructure. It requires a transition from an account based view of banking customers to one that knows them as individuals and enhances customer experience with relevant, convenient and personalized products and services (Digital Banking, 2016)). Digital banking may be viewed as adoption of various existing and emerging technologies by the banks, in concert with associated changes in internal operations as well as external relationships for providing superior customer services effectively and efficiently (Bhatt Raghavendra, 2016).

From the above said definitions we can conclude that technology is the corner stone of digital banking. Digital banking will give maximum utility to the customers by

ensuring enriched experiences through products, services and IT skills to customers.

Objectives

In this technological era, banking institutions are competing to embrace digital banking solutions, this article aims to familiarize the concept of digital banking from the literature review.

Review of Literature

Banking is primarily customer focused user market (Vighneswara Swamy, 2015) ^[18]. We need banking but we don't need banks anymore. Digital technology provides a low- cost way for people in developing countries to send money to each other, buy and sell goods, borrow and save as long as the financial regulation environment is supportive (Gates Bill, 1994). Digital banking is really about behavior, and not technology or channels that influences strategy, content, and drives advocacy. Becoming a digital bank can improve efficiency and provide a better customer experience (Bhat, 2016) ^[3]. Mobile banking is a major component of digital banking and now a days people are more convenient in using mobile banking than other technological platforms. According to Queck Christel, it is not about being mobile first or digital first, but being people first and that should be the motto of digital banking. Technology is only a medium and not the end. Technology is becoming an enabler for banks to foster stronger relationships with their customers (Sengupta, 2016) ^[13]. Digital banking provides mission critical solutions to bankers for their short term and long term businesses and technological requirements (Lohar, 2016) ^[10].

Digital banking can be divided into three key areas of development: 1) building the omni-channel and pushing the streams to develop the opti-channel interface. 2) building the base for connected enterprises: this falls in the realm of transaction banking, open bank architecture and seamless experiences for businesses to connect their clients. 3) building a data oriented culture to service the two broad segments, retail and corporate better (Sujatha, 2016) ^[15].

The digital banking is paving the way to tech savvy economy which is enabling the increase in productivity model and many banking experts and consultants are comparing with the third e-industrial evolution. Digital banking is an important way to achieve the vision of cashless Indian economy and is holistic approach to connect all the retail as well as business segments (Bhasin D. n., 2017) ^[2]. It aims to leverage strengths of digital technologies, to bind and put together the standard online/mobile banking services to enrich and enhance value of the banking service rendered and user experience. The digital banking relationship moves beyond the basic online banking to real interaction and service redesigns. It aims to enrich services and customer experiences by leveraging the front –and-backend digital capabilities of the bank to create enriched offerings. The digital banking offering should be based on solid understanding of digital consumer behavior as well as consideration of how to build and extend bank brand value for digital consumers (IDRBT, 2016) ^[5]. It is profitable to all the stakeholders ranging from the government regulator, banks and the customers. It saves time and offers convenient banking at the time and place of choice to the customer. It is likely to provide huge impetus

to financial inclusion (Kumar, Branch banking to Digital banking, 2017).

The review of literature shows that banks cannot continue in the modern world without adopting suitable technologies for providing enhanced and enriched services to the customers. Because customers are determining the success or failure of service industry especially in the banking sector. The digital banking is helpful to both the customers and bankers. By adopting digital banking, banking sector is sending a message that they are ready to serve their clients in the effective manner.

Conclusion

Digital banking is fast becoming a reality. In order to survive and flourish banks have to adopt it. Increased smart phone penetration in India will drive digital banking in India. The smart phone user base in India crossed 300mn in 2016 and is expected to reach 500mn over the next 5 years (Som, 2016) ^[14]. Digital banking has provided amazing customer experiences. While offering digital banking services banks have to take into consideration the digital literacy of customers especially in rural areas. They should be given proper awareness and training for using digital banking products. Security is a major concern in digital banking. Digital banking must employ strong and secure technologies which protect the communication, user information and the bank's IT infrastructure so that the customers should get a feeling that their transactions and other dealings are safe in all aspects. With the help of technology banks are now treated as financial supermarkets because they can provide number of innovative services to the public. All services offered by the banks should be based on customer centric approach. Emotional and personal aspect is essential for the success of any service organization. All technological platforms should be guided by the principle of human relationship

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