



## Digital transformation in banking services and its impact on security issues in Bengaluru city: A study

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### Abstract

Since India is a country where majority of its people are outside rural areas. With the Indian government announcing the Digital India initiative, all government departments in the country started using new technologies in their activities. Financial markets are no exception. Despite many efforts by the government, banks and financial institutions, rural people are still waiting to accept digital banking. This article discusses the usage patterns, acceptance, and challenges faced by customers, focusing on some of the incidents in the banking industry in the Bengaluru region.

**Keywords:** Digital banking, banking service, impact on security, transformation of banking, e-deposits

### Introduction

Financial services are an important part of today's economy, providing a variety of financial services to individuals, businesses and governments. Banks play an important role in the financial sector by accepting electronic deposits, providing loans and facilitating payments. The banking industry has evolved over time as the advancement of technology has led to new forms of business such as digital banking and mobile banking. Banks also play an important role in the economy by supporting economic growth by providing loans to businesses and individuals. The banking sector is highly regulated, under government supervision, to ensure financial stability and protect consumers. Traditional banking refers to the conventional banking model, where customers can access banking services through physical bank branches. It is a system that has been in existence for centuries and has undergone significant changes over time. Traditional banking involves a range of services, including accepting deposits, providing loans, issuing credit cards, and facilitating payments. Banks provide a range of financial products and services, such as checking and savings accounts, mortgages, personal loans, and business loans. Traditional banking has played a critical role in supporting economic growth and development by providing access to credit and financing to individuals and businesses. While traditional banking remains an essential part of the financial system, it has faced significant challenges in recent years due to the rise of digital banking and fintech startups. This has forced traditional banks to adapt and innovate to keep up with changing customer expectations and stay competitive in the marketplace. Digital banking refers to the delivery of banking services through digital channels, such as online and mobile platforms. It has emerged as a significant disruptor in the banking industry, transforming the way customer's access and interacts with banking services. Digital banking offers a range of services, including checking and savings accounts, bill payments,

fund transfers, loans, and investments, all available through digital platforms. It brings convenience and innovation to customers, allowing them to access banking services anytime and anywhere. Digital marketing also allows banks to offer personalized services and assistance to their customers, improving customer experience and trust. With the rise of the digital economy, traditional banks must adapt and innovate to remain competitive. The transition to digital banking has brought significant changes to the banking sector, along with the emergence of new fintech operators and changes in legislation. Understanding the impact of the digital economy is important for individuals, businesses and policymakers to move towards transformation in the banking sector.

### What is a Digital Transformation?

Digital transformation is the modification of existing processes or the introduction of new ways of doing business using digital technologies, thereby improving the customer and ensuring higher turnover for the company. Digital transformation means redefining business processes in the new digital age. The four main areas of digital transformation are process, technology, data and organizational change. The main themes of digital transformation are; Reinvention is the restructuring of customer relationships and restructuring of processes. This is the digital revolution of the decade when our grandfathers moved from data to Excel. By 2023, digitalization will be more than just paper or data. We are moving into a digital age driven by artificial intelligence, and the only way out of this is to support digital transformation. Digital transformation means redefining business processes in the new digital age. The four main areas of digital transformation are process, technology, data and organizational change. Three main areas of digital transformation; restructuring, re-establishment of customer relations and restructuring processes.

**Trends to Look at in 2023 of Digital Transformation in Banking**

Last year we saw thousands of content creators, financial experts, newspapers, and other trusted sources predict some thoughts about the digitalization of banking. Here's what our experts say about digital transformation in banking in 2023. According to the Business Times, the pandemic has completely changed the way people do everything in life, from shopping to work to banking. The future of digital marketing is expected to see many changes. Due to lack of time and knowledge, some customers will need a complete banking system, while others will guarantee a high level of cooperation. Therefore, the banking sector will be flexible in the future. According to Deloitte, the future of digital marketing is about putting customers at the center of every digital strategy, and banks need to start using these tools regularly to have seamless integration by 2030. In a few years, banks need to carefully and carefully identify their customers. Manages and provides additional services useful to customers to meet requirements. Data solutions are powered and are the future of work. The use of artificial intelligence, augmented reality, distributed information technology and automation will further personalize banking processes. In 2023, the banking sector will also face stiff competition from many neobanks and other popular financial institutions. If you are a financial advisor in an Indian bank, we have videos to help you develop business strategy.

**Need and Importance of Digital Transformation in Banking Sector**

Digital transformation of the banking industry has changed the way banks do business and serve their customers. As we have seen, it will continue to change and become increasingly personalized from time to time. The traditional financial institution is a thing of the past. They take a lot of time and need a lot of workers. Completing the process is tedious. This points to the need for digital transformation to speed up and simplify tasks. Remember how Covid-19 has changed. With the lockdown in place and our security system intact, people are turning to online trading and preferring to do all their banking activities at their fingertips. The solution to this problem is undoubtedly to switch to digital. In fact, the next generation will be the first to adopt the Internet and become a part of the digital world. The digital wave that we have experienced in our teens or late 20s, is going to be available to the next generation much in advance. They are practically going to grow up with it. Thus, to be able to cater to them in the future, the digital transformation of banks needs to start today. As much as people need banks, it is also vice versa. Private banks are coming up with value-additions year after year, thus to compete with them, it is important that every bank adopts digital transformation. All these issues point to strong growth for Indian companies. Banks that embrace this change can expect to reduce costs and streamline processes. This integration also helps deliver a simpler, more

comprehensive customer experience. There is an urgent need to improve employees' digital skills to keep up with the rapidly changing online environment. Now that you understand the importance and need of digitalization in the banking industry, let's quickly understand the benefits of digital transformation.

**Review of the Literature**

The study by Gupta and Bhatia (2019) <sup>[2]</sup> focused on the impact of digital transformation on consumer behavior and expectations in India. They found that consumers now want consistency and personalization across multiple channels, including mobile and online transactions. Jain and Singh (2017) <sup>[9]</sup> explore the role of corporate governance in supporting digital transformation in the Indian banking sector. They found that open governance and support can enable banks to use technology to improve their business and services. In a study by Singh and Singhal (2019) <sup>[10]</sup>, the authors highlighted the importance of the customer in the digital economy in India. They found that customers value personalized and similar experiences, and investments in chatbots and virtual assistants are increasing.

**Importance of the study**

Currently banking industry is witnessing healthy competition in the adoption of new technology. With drastic developments in the information technology and its adoption by the banking industry provision of banking services has become more electronic and online. Digital banking is gaining acceptance from customers and is fast catching up in India. Customers are realizing the comfort of accessing banking services from there convenient places as a result large number of customers have already accepted the concept of digital banking. But at the same time they are facing many risk associated with the digital banking. This study focuses on rural people's acceptance of digital banking and the problems they face while using digital banking services, and also makes some comments advising banks to overcome these challenges and implement digital banking services and provide better customer services.

**Objectives of the Study**

1. To evaluate Digital transformation in Banking Services and its impact on security issues.
2. To know the access to bank account
3. To know the awareness among respondents about digital banking
4. To know the usage, purpose and use of using digital banking services

**Research Methodology**

This study utilizes secondary sources such as newspapers, magazines, books, websites and research.

**Data Analysis and Interpretation:**

Data collected from main sources were analyzed as follows.

**Table 1:** Demographic profile of the respondents

Description	Variable	No. of Respondents	Percentage
Gender	Male	65	52.84
	Female	58	47.15
	Total	123	100
Age	20-30	58	47.15

	31-40	18	14.63
	41-50	23	18.69
	51 and above	24	19.51
	Total	123	100
Occupation	Student	26	21.13
	Salaried	41	33.33
	Formers	12	9.75
	Others	44	35.77
	Total	123	100
Educational Level	Un educated	12	9.73
	PUC/Diploma	31	25.2
	Graduates	43	34.95
	Post graduates	37	30.8
	Total	123	100
Monthly Income	<15000	39	31.7
	15001-30000	48	39.2
	30001-60000	51	41.46
	60001 and Above	15	12.19
	Total	123	100

Source: Primary data

The demographic structure of the respondents shows that the majority (47.15%) are in the 20-30 age group and the majority are male (52.84%). 60,000.

**1. Access to bank account**

To understand the use of digital banking services and the problems encountered, it is important to identify the participants' organizations in the banking sector. The study shows that all participants had bank accounts with only one bank; This does not mean that participants use digital financial services; but it shows that participants have received funding and the ability to support digital banking services. Table 2 shows that 58.53% of the respondents have accounts in public banks and 41.46% have accounts in private banks.

**Table 2:** Access to bank account

Description	No. of Respondents	Percentage
Public sector Banks	72	58.53
Private sector Banks	51	41.46
Total	123	100

**2. Awareness about digital banking services among respondents.**

Table 3 shows that all participants in this study were aware of digital banking services. Overall, 98.37% of the participants are knowledgeable about digital marketing and only 17.07% are not familiar with the concept of digital marketing.

**Table 3:** Awareness among respondents about digital banking

Description	No. of Respondents	Percentage
Aware	121	98.37
Not aware	2	17.07
Total	123	100

Source: Primary data

**3. Usage of digital banking products & services**

Today, financial institutions offer many attractive and innovative digital products and services to their customers, allowing people to make financial transactions easily. Effective use of digital services can serve customers well.

Table 4 shows the different types of digital services used by participants. In terms of overall awareness and satisfaction with UPI payment, 72 respondents use UPI, 9 respondents use mobile wallets and 18 respondents use debit cards. UPI systems are very popular in this research.

**Table 4:** Usage of digital banking services

Description	No. of Respondents	Percentage
Debit/credit card	18	14.63
Internet Banking	8	6.5
NEFT/RTGS	9	7.31
Mobile Wallets	14	11.38
UPI	72	58.53
Total	123	100

**4. Purpose of using digital banking services.**

Today, financial institutions offer many digital banking services, and different services work differently. Participants' purposes for using digital banking services will be discussed below.

**Table 5:** Purpose of using digital banking services

Description	No. of Respondents	Percentage
Online shopping and payments	51	41.46
Fund transfer	21	17.07
Utility payment	39	31.7
Others	12	9.75
Total	123	100

Source: Primary data

The banking system has been digitized to offer various services to customers. The study revealed that most of the youth in rural areas use digital banking for online shopping and payment (i.e. 51 respondents) and utility bills such as electricity, water, phone/cashback.

**5. Use frequency of digital banking services.**

Even today, many people, including young people, do not know how to do bank applications/withdrawals/deposits, but due to the advancement of technology, people prefer digital banks over traditional banks, probably due to ease of use, avoidance or reduction. business costs.

**Table 6:** Use frequency of digital banking service

Description	No. of Respondents	Percentage
Frequently	94	76.42
Once in a week	18	14.63
Once in month	9	7.31
Very rarely	2	1.63
Total	123	100

The study found that around 76.42% of the respondents frequently use digital banking services for a specific purpose and the majority stated that they use Unified Payments Interface (UPI) as their digital banking service.

**6. Issues in digital banking services**

**Table 7:** Issues in digital banking services

Description	No. of Respondents	Percentage
Security risk	31	25.2
Lack of knowledge	11	8.94
Technical issues	59	47.96
Threat to privacy	22	17.88
Total	123	100

Research shows that about 47.96% of people face business problems and another issue that people are most worried about when using digital services is the security risk of digital banking services. Very few of them show that they have no knowledge of using digital banking services.

**Important Findings**

- 58.53% of the respondents have accounts in public financial institutions, and 41.46% have accounts in private institutions.
- Overall, 98.37% of the respondents understand digital marketing and only 17.07% of the respondents do not understand the concept of digital marketing.
- 41.46% of rural youth use digital banks for online shopping and payment (i.e. 51 respondents) and bills such as electricity bills, water bills, phone bill/mobile phone bill.
- Approximately 76.42% of the respondents use banking services frequently.
- A total of 47.96% of people are experiencing business problems and the security risk of digital banking services is another issue that people are most worried about when using digital services because online banking fraud and personal information loss are increasing nowadays.

**Suggestions**

It is important that users have good knowledge of using digital banking services.

**Conclusion**

The rise of digital banking has had a huge impact on traditional banking services. While it brings greater convenience, lower costs and more competition, it also creates new security concerns and changing customer needs. Digital marketing also allows banks to improve services, improve customer experience and enter new markets. However, digital banks still require digital transformation for traditional banks to remain competitive, which is very difficult. Overall, the impact of digital banking on traditional banking services is profound and will continue to

shape the future of banking in the coming years. We hope this blog will help you understand the importance and need of digital transformation in the banking industry. It's important to update your digital marketing skills and expand your education. In recent years, with the development of technology and the development of people's higher education, the concept of digital marketing has become popular even in residential areas far from the city. The government's continuous efforts to promote digital businesses in the country, such as deregulation, along with the introduction of the UPI system and many other initiatives have resulted in increased business. Digital printing has increased dramatically, especially during the outbreak of COVID-19. The number of digital transactions that have helped the country become a Cashless economy. This study believes that due to security risks, privacy threats and technological issues in rural areas, most of the rural population is aware of digital marketing and do it only for a few purposes or for small businesses. Relevant authorities should take appropriate measures to limit fraud faced by consumers.

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