

CHALLENGES OF DIGITAL INNOVATION IN BANKING

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Abstract

Digital banking is the shift to online banking where banking services are provided over the internet. The benefit for customers is the provision faster banking services. The transfer to digital banking is slow but it is progressing at a steady pace. It provides the ability for users to access financial data through desktop, mobile and ATM services. The reason digital banking is more than just a mobile or online platform is that it includes middleware solutions. Middleware is software that bridges operating systems or databases with other applications. Financial industry departments such as risk management, product development and marketing must also be included in the middle and back end to truly be considered a complete digital bank. Financial institutions must be at the forefront of the latest technology to ensure security and compliance with government regulations. There are certain challenges faced for the digitalizing the banking operation they are quality, consistency and many more. Government along with the private entities are taking steps towards making online payment more secured and gaining trust of the people. Unified Payment Interface is one such initiative from the part of government to check the online payment practices followed by different banks so as to avoid malpractices.

Keywords- Online platform, Middleware, risk management, product development, consistency.

1.Introduction

Digital banking kicked off just as another way banking but it had come up a long way where it has become the prime focus of the banks to serve their client nationally and internationally. Ahead of the technology driven generation the all the consumers, business, and government who are the major clients of any banks have already started shifting from traditional banking to digital banking. It was developed to meet end consumers needs. It was so developed so that the transaction cost becomes even more cheaper and could encourage the digital banking cult in the nation. Banks are raising funds to improve their digital space as they anticipate a huge market in the digital space in the coming years.

There is no such thing as a non-digital customer anymore. Every customer is a digital consumer by default – using digital technology in many ways and speeds. The varying speed and needs of customers have impacted various sectors and services differently. The banking sector is no different. Be it corporate, retail or small business banking, the tech-savvy customer now demands premium, seamless experiences across all platforms and channels. And as Brett King says in his insightful book *Bank 3.0* ‘Banking is no longer somewhere you go but something you do’.

Ahead of the digital era banks have started their preparation to have better market standing in the years to come. If the online banking is considered from the business means point of view it is the cheapest form of conducting the transactions since the charges of each transaction is way low than the transaction that are conducted on the physical banks in this way they can reuse their expenses and increase their profit margin.

And for a normal person it is convenient means of doing this transaction as he can save his time and money for going to bank and doing the transactions. They can do the same from the comfort of their home or from a place where they are in.

First of all, the challenge for banks is not becoming ‘digital’. They already have enough technology backing and digital investment at their disposal. The challenge is to provide the level of sophistication and value that the customer finds worth paying for. They are no longer just competing with other banks and the fintech sector, they are competing with Apple and Amazon Prime as far as digital interactions and elevated expectations go.

One of the greatest concerns of digital banks in 2017 is to remove the friction from customer journey. Banks are struggling and competing against the increasing onslaught of FinTech companies and startups that specialize in resolving some common banking issues and simplifying the customer journey with mobility and context.

2. Advantages

Banking online is becoming common now a days. All your bills can be paid online, you can access your account for checking it and do other transactions online. All this activity can be done from the comfort of your home. Most banks now a days are providing the online banking services. The main advantage of this is that all your financial dealings can be done bit easily. Doing transaction through online reduces the cost of each transaction compared to the cost of doing the same transaction in the physical banks. Online banking helps in managing your financial transaction.

2.1 Payment of bill online

By using online banking you can pay your bills from the comfort of your home or from any place where your in. In this manner you can do away with the stamp and the missing of cheque when send through mail. All the related information need to be entered only once afterwards you can just click on to it and proceed with the payment.

2.2 Checking your Transaction

All your financial transactions and account history can be ascertained fro anywhere through online banking. It is the quickest way to see whether your transaction has cleared. We can know our account balance after the amount is credited or debited from our account. The unauthorized transaction can be found out more quickly. The banks show all the pending transaction of the day you can refer to it and know those transaction which you have not authorized at all. In this manner you can reverse such transaction by contacting the bank officials.

2.3 Transfer of money between accounts

Money can be transferred between accounts more quickly. You can save your time of travelling to bank by using online banking service in your mobile. At time of registering your account for online banking make sure that you have registered all the accounts to which you have to transfer the amount. Under this system you can transfer the amount without leaving your home.

2.4 Mobile Banking

Every bank is providing the fecility of a mobile app using which all the online transaction can be done. This is even more convenient way of operating our account. Try avoiding the use of public WiFi while completing the transaction to safe gurd your information. It makes banking even more easier .

2.5 Syncing With Your Money Applications

Most of the banking apps will automatically sync your banking information. Many of this apps will work in home computer and in mobile phones. As a result you can stay updated when you work in both of the devices. In recent times many of them don't receive the paper statement still all the important statement and balances are shown in the banke's app.

3. Challenges

The challenge is to create an optimal customer journey that makes every step and touchpoint in the customer life-cycle streamlined, efficient, personalized and consistent. Banks and financial institutions need to rethink their customer journeys inside out by understanding customer pain points, identifying opportunities to delight the customer in ways that separate them from the crowd.

3.1 Working of application

Even though the banks provide higher end services digitally even then there is certain issues which is constantly encountered by the customers such as server program issues, difficulties in navigation ,and frequent crashing of the application.

3.2 Technological Changes

Ever since the launch of internet the technology is getting upgraded rapidly .With the entry of smart phones into the market the pace of change has scaled up. The banks has to develop different applications for both iOS and Anroid and they also have to upgrad this every now and then which makes it expensive for the bank if they are not able to tap the required number of customers to cover up the cost.

3.3 Cyber Crimes

The money laundering in the digital space is comparatively more as there is a easier access to data and compress it. The news of which will break the confidence and trust of the customers to deal with there money digitally.

3.4 Consistency

After launching and implementing the digital application of the banks .The banks are not done with it. They should maintain there services , deal with the problems encountered ,and improvise there banking operations. Which may divert the focus of the banker from there core operations.

3.5 Quality

The banker should be able to provide an attracting application format to there users. And the loading time should be low for these sites because if the loading time is more customers may not stay for long. But creating a site which is attractive and can be delivered at a higher speed is a difficult task to deal with.

3.6 Connectivity

Connectivity to the network is one of the major problem which is encounderted in digital banking. Connectivity to the internet is weak in rural areas so the people out there can't have a comfortable access to digital banking. Futher in case of urban areas even though there is connectivity certain areas might have disturbed connectivity which not only effects the customers but also the banker themselves.

3.7. Be in touch with the market

Ensure that your bank or financial service is aware of all the latest developments and innovations in digital banking from around the world and how these trends influence the business model and customer journey.

3.8. Prioritize

Not all digital innovations or technology is relevant at onnce. Choose the areas you want to focus on combined with customer priorities and expectations.

3.9. Mobility

Mobility will increasingly be at the heart of user experience – provide a seamless device experience and a design that makes user onboarding intuitive and easy.

3.10. Content and help for user conversion

Create content that helps users to understand your products and services better. Be it applications that demonstrate how-to do stuff, videos, animated content, calculators and tools – anything that can break customer barriers and generate consumer trust – influence decisions and increase sales.

3.11. First contact resolution

For customer retention in the highly competitive landscape, first contact resolution is the key. According to one Accenture survey, 80% of customers who switched their providers complained of poor customer service and said that they could have been retained.

3.12. Apply lightweight technological changes

Banks can create significant performance gains with small but targeted digital enhancements. Deployment of tools like e-forms, workflow systems that can be deployed quite rapidly are some ways to go about this.

3.13. Be selective with the bigger transformation goals:

Some areas will require more radical transformation investments but not every aspect of banking processes and products needs to be revamped. Aim for the important wins – the few that involve the most capacity consumption and deliver the highest rewards. You may want to retire an old application that is causing the most bottle-necks and opt for application re-engineering in select processes, or opt for application integration to allow your existing systems to collaborate better.

4. Conclusion

Future of banking in the digital space seems viable. With the coming generation being tech savvy the shift of banking operation to the digital space can be justified. Banks need to increase the focus on business outcomes, not digital activity. Customers want a seamless and simple transactional journey enabled by technology and various digital channels. Digital innovations in banking sector, emerging financial models, delivery systems and customer expectations are driving banks to re-evaluate how they deliver value to their digital customers. Anytime anywhere banking is now the norm and banks will have to offer innovative, robust, secure and flexible solutions for the empowered customer. There are certain challenges that the banks encounter when they are moving from their traditional operation to the internet driven operation. But they can be overcome by continuous improvement and by employing a special team to deal with the problems encountered. In the coming years the bank which has its operation digitalized will have a better market share in the financial industry.

