

# CHALLENGES OF DIGITAL INNOVATION IN BANKING

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**Abstract:** In modern times, commercial banking occupies an important place in the financial frame-work of every economy. Banking system is a dynamic sector of economy. The nature of banking system has shifted after financial “BIG BANG” of mid 1970s and mid 1980s in the U.S.A and the U.K financial markets respectively. E-banking facilitates an effective payment and accounting system thereby enhancing the speed and delivery of banking services considerably. The operating environment of banks has changed significantly in terms of liberalization of regulations, increasing competition for both domestic and foreign players. This study pertains to analysis electronic banking in general and electronic banking. The current study is an attempt to focus on the opportunities and challenges that the introduction of electronic banking. The study will examine the impact of e-banking on efficiency and profitability of banks. The research aims to identify the important challenges for development of electronic banking. With the help of various modes we shall explore some possible implications of both opportunity and challenges that may arise as result of introduction of e-banking system.

**Index Terms-** Opportunity, Challenges of banking, big bang.

## I. INTRODUCTION

Digital banking is the move to online banking where banking services are delivered over the internet. The advantages for banks and customers are providing more convenient and faster banking services. The shift from traditional to digital banking has been gradual and should be rather described in degrees of service digitization than through a categorization into yes and no. It involves high levels of process automation and web-based services and may include APIs enabling cross-institutional service composition to deliver banking products and provide transactions. It provides the ability for users to access financial data through desktop, mobile and AT services.

### 1.1 OBJECTIVES OF DIGITAL INNOVATION IN BANKING:

- Develop consumer centre business models.
- Optimize distribution.
- Simplify processes and transactions.
- Obtain relevant information.
- Innovate proactively.

### II SCOPE OF DIGITAL INNOVATION IN BANKING:

In the present scenario major economical and technical changes are undergoing in industrial and financial revolution through the new information processing technology. Especially in finance sector it has a significant role for overall development. After identifying the subject (research area) and referring the relevant literatures, it has been found that in most of the literature, the information technologies have a wide application area. However, in finance sector major changes have been made. Due to these drastic changes we have chosen to do the study on urban cooperative bank system. After completing step by step procedure for automation process, now it is required to take the review of the system.

People used information technological tools to managed process the information. Atomization process use in the financial sector for transactionsystem.This type of working methodology is used in the financial Institute since long years. The Urban Co-operative bank sector is mostly related to all classesof people like businessmen, industry, agriculture, labour, small entrepreneurs, workers etc. It has been changing complete culture and working methodology. Therefore, it has a wide scope to study the existing modern transaction system in the financial sector mainly in urban cooperative bank system. For that purpose we are going to utilize software engineering model based techniques for theoretical evaluation of atomization process.

### III SWOT ANALYSIS OF DIGITAL BANKING:

#### 3.1 STRENGTH:

- ❖ On demand and time saving access of services.
- ❖ Better optimise use of resources.
- ❖ Standardised working procedures.
- ❖ Easy collection of bills and disbursement of funds.
- ❖ Transparency in systems.

**3.2 WEAKNESS:**

- ❖ Missing of personal human touch.
- ❖ Requirement of huge investment for implementation of electronic system.
- ❖ Need to expert staff to handle complex banking operations.
- ❖ Technology becomes obsolete before its actual deployment.
- ❖ Low awareness level among customers due to digital divide in our society.

**3.3 OPPORTUNITY:**

- ❖ To provide user friendly and convenient banking services.
- ❖ To provide value added services.
- ❖ Reduction in costs and gain in efficiency and profitability
- ❖ Standardisation of services.
- ❖ Integration if e-banking services with e-governance services.

**3.4 THREATS:**

- ❖ Shorter life of technology.
- ❖ Lack of technical expert staff.
- ❖ Outsourcing risks.
- ❖ Information security risks.
- ❖ Digital divide in society.

**3.5 BARRIERS TO DIGITAL BANKING:**

- a. The banks' own complex, traditional, centralized systems.
- b. The regulatory environment.
- c. Lack of funding.
- d. Cultural organization.
- e. Lack of talent and/or skills.
- f. Lack of involvement by upper management.

**IV CHALLENGES OF DIGITAL INNOVATION IN BANKING:**

- a. Cost. Upgrading legacy systems while running a business is extremely difficult to do, and even more challenging to do on a budget.
- b. Digital transformation calls for a complete overhaul of how traditional banks work, and there's plenty of internal resistance to those changes. With an entrenched culture of rapid shareholder returns, it's a difficult business decision to sell given the long return timeframe.
- c. The innovative and rapid iteration of a fail fast and fail often culture that sits at the heart of a digital first organization is difficult to implement at scale, particularly where individuals not incentivized to take personal risk for institutional gain.
- d. Digital transformation requires significant buy-in from BOTH manager-level administrators and C-suite executives.
- e. Digital transformation is inherently risky. Not all organizations have an appetite for it.

**V CONCLUSION:**

It is concluded from the results of the study that the usage of ATM, Tele-banking and Internet banking are perceived as important and the use of these services is associated with socio-economic and demographic characteristics of the respondents. Though, most of the customers prefer manual banking over e-banking, the customers tend to use e-banking / internet banking and adoption of e-banking and internet banking services among the bank customers is significantly influenced by the number of times visiting the banks as well as the number of banking transactions per month.

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