

DIGITAL TRANSFORMATION OF THE INDIAN BANKING SECTOR DURING THE COVID-19 PANDEMIC

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ABSTRACT

The world is struggling to deal with the economic, political and social shocks caused by the COVID-19 outbreak. The crisis is having a severe impact on economic activity and in addition to the growing human toll, is leading to the deepest global recession since the Second World War. Before COVID-19, the banking industry was experiencing an unprecedented period of growth and prosperity, despite increasing consumer expectations and increased competition from non-traditional financial institutions. However, in a matter of only a few weeks, the world of banking experienced a level of disruption that threatened to change everything that was the norm in financial services. There has been a major change not only in the way financial institutions conduct business, but the way employees do their work and the way customers manage their finances. COVID-19 has been a transformative experience for banks. The coronavirus has just served to intensify people's desire for digital services, turning it into a matter of urgency. For banks, the changes mean an opportunity to expand digital services and cut costs. Since the onset of the pandemic, more customers than ever have used online banking services and banks would like to keep them online even after the COVID-19 crisis passes. Banks have been promoting digital capabilities for several years, but the COVID-19 crisis has propelled the issue to the forefront, requiring a quick readjustment of expectations, time frames, and usage volume. As a result, banks are being forced to deal more quickly and definitively with the online challenges – including security, communicating with customers, and developing end-to-end services demanded by consumers from new client onboarding to lending services and more. Like in so many other industries, COVID-19 has forced accelerated adoption of digital technology – requiring banks to deploy services that, without COVID-19, might only have been deployed several years from now. With the right digital tools and technologies, the banking industry could mitigate the losses and economic damage that is being caused by the coronavirus. This paper tries to analyse that How COVID-19 acted as a catalyst in digital transformation of banking sector in India.

KEYWORD: Digital Transformation, Banking, COVID-19, Tools.

DIGITAL TRANSFORMATION OF BANKING SECTOR in COVID-19

The world is struggling to deal with the economic, political and social shocks caused by the COVID-19 outbreak. The crisis is having a severe impact on economic activity and in addition to the growing human toll, is leading to the deepest global recession since the Second World War. International Monetary Fund (IMF), in the report titled 'Global Economic Outlook June 2020' forecast that the global economy is expected to shrink by 4.9 percent in 2020. Advanced economies are projected to shrink by 8 percent in 2020, as social-distancing norms, tightening of financial conditions, fall in global trade and a collapse in external demand result in a subdued activity.

Before COVID-19, the banking industry was experiencing an unprecedented period of growth and prosperity, despite increasing consumer expectations and increased competition from non-traditional financial institutions. However, in a matter of only a few weeks, the world of banking experienced a level of disruption that threatened to change everything that was the norm in financial services. There has been a major change not only in the way financial institutions conduct business, but the way employees do their work and the way customers manage their finances.

COVID-19 has been a transformative experience for banks. The coronavirus has just served to intensify people's desire for digital services, turning it into a matter of urgency. With lockdowns and limits on in-person service, banks were forced to quickly arrange for an increased volume of online services. As a result, an influx of customers who formerly did most of their banking at in-person branches have shifted to digital banking, in many cases, for the first time. Not only that, but customers who had previously engaged in some form of banking online – transferring money or paying bills – now increased their online activity significantly.

For banks, the changes mean an opportunity to expand digital services and cut costs. Since the onset of the pandemic, more customers than ever have used online banking services and banks would like to keep them online even after the COVID-19 crisis passes. That doesn't mean an end to in-branch banking; in some places, various services (i.e. taking out a mortgage) are subject to regulatory constraints requiring an in-branch transaction, although banks are speaking to regulators about moving that activity online as well. Online services are clearly the wave of the future.

Banks have been promoting digital capabilities for several years, but the COVID-19 crisis has propelled the issue to the forefront, requiring a quick readjustment of expectations, time frames, and usage volume. As a result, banks are being forced to deal more quickly and definitively with the online challenges – including security, communicating with customers, and developing end-to-end services demanded by consumers from new client onboarding to lending services and more.

During the period of pandemic, it appears both customers and banks have gotten used to the idea of using digital services for all their banking needs. Indeed, according to Deloitte, 35% of customers have increased engagement with online banking during the COVID-19 crisis, helping to “realize the digital promise” in banking. And an analysis by McKinsey states that the pandemic has accelerated developments in digital adoption by consumers and businesses that were expected to take five years, in a matter of roughly eight weeks.

Like in so many other industries, COVID-19 has forced accelerated adoption of digital technology – requiring banks to deploy services that, without COVID-19, might only have been deployed several years from now. With the right digital tools and technologies, the banking industry could mitigate the losses and economic damage that is being caused by the coronavirus.

CLOUD ADOPTION

In the digital world post-COVID-19, the banking industry has to deal with increasing customer expectations, ever-evolving technologies, and the emergence of new business models. To ensure their business continuity and viability in this digitally advanced and competitive landscape, banks need cloud technologies.

Cloud is a crucial tool of the service delivery model and enables banks to penetrate new business opportunities and access new delivery channels. By leveraging cloud-based services,

banks can decrease data storage costs by saving on capital and operating expenditure, while ensuring customer data is protected. Cloud computing also promotes safe online payments, digital money transfers, wallets payments, etc.

Thus, cloud adoption brings in more efficiency, cost-effectiveness, and enables banks to stay flexible and agile in the new normal. Leading cloud solution providers like Speridian Technologies help banks and other financial institutions adopt best in class solutions to meet industry needs and to satisfy the demands of your customer base in this digital era. Speridian's Beacon is an industry-leading suite of banking solutions that caters to various needs, such as Core Banking, Loan Management, Loan Origination, Credit Monitoring, Collection solutions, Banking Analytics, and Financial inclusion solutions. Beacon helps accelerate the digital transformation journey of financial institutions and helps them stay relevant in the digital age.

DIGITAL WORKSPACE

Almost all the sectors, including the banking industry, is taking several safety measures like suspending large-scale gatherings, making arrangements for remote working, segregating teams, establishing a central task force and even refreshing their external-vendor-interaction policies to prevent the spread of the COVID-19. With remote working and work-from-home on effect in banks, employees are multitasking at a much greater level, handling multiple tasks and using several work-related applications on multiple devices. Moreover, they face the challenge of communication and data transmission while working from home. This not just affects the productivity but also the work experience of employees. This is why it is critical for banks to bring forth comprehensive digital workplace planning to enable sharing, management, communication, collaboration, governance, and controls to achieve higher overall business performance.

INTERNET OF THINGS (IOT)

Today, as billions of smart devices are connected to each other, IoT is in its most disruptive form. The applications of IoT have penetrated several sectors and banking is no exception. One of the main areas in which IoT will play a huge role is in customer management. For years, one inevitable thing that we have all faced in banks is waiting in long queues. But as social distancing norms and COVID-19 precautions gain importance all over the world, the customers would expect more sophisticated and safe methods to accommodate customers waiting in the bank. With the help of smart IoT devices and advanced Machine Learning algorithms integrated with the bank's operational infrastructure, the banking industry can deliver excellent customer support. For instance, the customer's smartphone can act as a beacon for notifying managers when the customer enters the bank. IoT devices can send notifications and personalized messages as the customer arrives. These devices can also give real-time feedback about the status of their meeting with the executive and notifies them when it's their turn. IoT is also taking digital payments to the next level that are not just fixated around Personal computers and smartphones. As more devices obtain digital interfaces, digital payments are conducted on wearables such as smartwatches. This way, with just internet connectivity, IoT is creating new endpoints and opens up more possibilities for the banking industry to streamline their functions in the post COVID-19 world.

CYBERSECURITY

It is certain that the world has gone digital and customers are evolving to be more reliant on digital technologies now more than ever. Even in the banking industry, in the past few months, there is a significant increase in the usage of electronic payment methods, internet

banking, and mobile banking among customers. But as digital transformation has accelerated, so have the security risks. Cybercriminals today are using this heightened dependency on digital footprint and traffic to find vulnerabilities, steal data, or to siphon off money. Fraudsters and cybercriminals are luring customers via 'phishing' emails connected to COVID-19 and stealing their account details and money. It is not only customers that are at risk, there is increased risk with the bank staff as well. As employees adapt to this new digital environment and remote working policies, attackers target the vulnerabilities in their home network and launch malware and ransomware attacks.

The banks are becoming agile in the way they approach cybersecurity. They are gradually implementing advanced analytic, real-time monitoring and biometrics and behavioral analysis software to detect threats and stop them from disrupting the systems. They are also utilizing anti-hacking tools which provide network-level security which looks for unusual behaviors and potential cyberattacks.

The COVID-19 crisis is likely to significantly accelerate the shift to digital and refine the overall banking landscape in the coming days. To continue to deliver steady returns amidst these challenges, the banking industry needs to reimagine its business to stay relevant in the digital age. Banks will therefore need to successfully integrate these technologies and exploit their synergies to ensure future competitiveness. As a global business and technology solutions provider, Speridian Technologies, helps financial institutions modernize their business through digital transformation.

ROBOTIC PROCESS AUTOMATION

The volume of unstructured data that the banks have to process is growing exponentially with the rise of the digital economy. These are not just banking transaction data, but also other behavioral data that could allow banks to improve and innovate the customer experience. With a combination of various technologies that enable cognitive and robotic process automation bankers can now understand customer action and make a judgment at a higher speed, scale, and quality. Additionally, smart virtual assistants today are handling transactions, providing important information, and helping customers. Robotic Process Automation is improving the user experience by allowing robots to handle repetitive tasks without human intervention. It also reduces errors and enables bank staff members to handle more intricate queries and provide better customer service.

DATA ANALYTICS

Today, success is achieved by driving intelligent customer engagement based on a data-driven understanding of the business. Technology and digitization have transformed the Banking, Financial Services and Insurance (BFSI) sector by enabling them with real-time actionable insights to make informed decisions, creating competitive advantages and elevating consumer experience. This also allows banks to share potential products, upsells, cross-sells, and strategic planning with customers. With Artificial Intelligence (AI)-backed models, the ability to transform the banking experiences of customers is truly exponential.

APPLICATION PROGRAMMING INTERFACE (API) PLATFORMS

Today, through API platforms, banks are working with Fintechs to build banking stacks that allow them to be a platform on which customers and third-party service providers can connect to deliver flexible and personalized experiences to the end-user. API Banking Platform is designed to work through APIs that sit between the banks' backend execution and front-end experiences provided by either the bank itself or third-party partners. This allows the banks to adopt completely new business models and use cases such as enabling salary

advances and experiment with new technologies like blockchain at low cost. APIs also help banks to future-proof their systems.

BLOCKCHAIN

Blockchain is a digital transaction record in blocks that are then chained together. It allows multiple parties to access the same data simultaneously, and at the same time ensures the integrity and immutability of the records entered in the database. At present, leading banks around the world are exploring proof of concept projects across various aspects of banking and financial services.

The first major implementation that we are likely to see is in the areas for clearing and settlement. Accenture estimates that investment banks would be able to save \$10 billion by deploying blockchain technology to improve the efficiency of clearing and settlement systems.

Another major area in which banks will see a huge saving by using blockchain technology is Know Your Customer (KYC) operations. Business models being developed at the moment would turn KYC from a cost centre into a profit centre for banks – as they would come to rely on a shared blockchain for this activity. Syndicated loans, trade finance and payments are other areas where the smart contracts on blockchain could be highly effective.

CONCLUSION

Banks must use this time of disruption to reinvent themselves and better understand the ways customers expect their financial institution to support their financial needs. Banks can leverage data, AI technology and human resources to reinvent marketing tools, redesign innovative practices and promote the digital delivery of products and services.

In the last decade or so, we watched as technology turned our world on its head. With the advent of ultra-high-speed connectivity, the way we engage with customers has also evolved. Today, even the smallest of transactions involve multiple touchpoints and complex multi-layered interactions. Business has become more intricate than ever before. To remain competitive and risk-free, technology-enablement in decision-making indispensable.

The unpredictability of the situation we are in today highlights the need for us to be diligent in all aspects of risk management. There's no turning back from the slippery slope we are in. But timely and efficient risk management can help us navigate these troubled times with minimal losses. Technology-enabled risk management has become indispensable to help banks mitigate the impact of the pandemic, in addition to the inherent systemic issues. The way forward will require the banks to have an entirely new perspective to drive future growth and profitability.

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