

Assessing The Impact On Digital Transformation With Special Reference To Banking Sector

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ABSTRACT

The need for digital transformation arises from the increasing expectations of customers for seamless and convenient banking experiences. In an era where technology is reshaping every industry, the banking sector must embrace digitalization to stay competitive and relevant. The importance of digital transformation in banking lies in its ability to enhance operational efficiency, reduce costs, and streamline processes. Automated transactions, online banking, and digital payment solutions not only make banking services more accessible but also significantly improve the speed and accuracy of financial transactions. This study agenda may serve as a valuable tool for researchers and practitioners to traverse and investigate the intricate terrain of digital transformation across different industries and settings. The current corporate environment is being shaped by the tightly interwoven forces of digital transformation and artificial intelligence (AI). Digital transformation is the complete incorporation of digital technology into every facet of an organization, including its operations, procedures, and consumer interactions. AI, in contrast, denotes the use of sophisticated algorithms and machine learning to scrutinize data, formulate predictions, and mechanize activities.

Key words: Automation of routine transactions, straightforward digital insurance, digital transformation and operational efficiency and trustworthy security.

INTRODUCTION:

The banking sector is now undergoing a significant transition phase, characterized by fast changes in all operational aspects. Technology is the primary driving force behind this transformation, enabling banks to gain a competitive edge by leveraging their expertise and offering new products or services. The broad use of information technology has led to a significant increase in electronic activities both in homes and businesses. The Indian consumer is progressively transitioning to electronic banking at a moderate pace. ATM and online transactions are become increasingly popular. Consequently, technical progress is crucial not just for enhancing the bank's operations, but also for sustaining a robust customer base. Furthermore, in response to the demands of competition, effectiveness in operations, lower operating margins, enhanced asset / liability management, risk assessment, anytime and anywhere banking, and so on, the changes staring bankers in the face are undergoing a quick transformation. The second wave of banking reforms stressed modernization and technical progress. Indian banking is now at a critical juncture in the period following reforms. There is undoubtedly a paradigm shift in numerous transformation variables. The modification in the bank is a consequence of several internal and external factors. A heated competition, as well as global pressures, is prompting banks to undergo fundamental alterations in their day-to-day operations.

THEORETICAL BACKGROUND:

Digital transformation plays a vital role in building and preserving a competitive edge in today's changing corporate world [11]. Organizations may improve their efficiency, agility, and customer-centricity by adopting technology and data-driven operations. This transformation enables organizations to swiftly adjust to fluctuating market circumstances, fulfill developing client demands, and innovate at a fast rate [5].

Sustainable competitive advantage, in this sense, is not only about getting a transitory edge, but it requires using digital technologies and methods to generate persistent capabilities. The sustainability of a corporation relies on its capacity to consistently adapt and outperform competitors via the use of data analytics, automation, cloud computing, and artificial intelligence. Technological innovations empower organizations to streamline operations, minimize expenses, and provide exceptional client experiences, eventually solidifying their market position. Moreover, digital transformation may also help sustainability in a wider sense. Companies may align themselves with global sustainability objectives and rules [8] by implementing resource-efficient procedures and offering remote work choices, which help reduce their environmental imprint. This not only improves their standing but also reduces operational risks related to climate change and resource constraint. Thus, digital transformation emerges as a crucial catalyst for achieving enduring competitive edge, including both commercial efficacy and sustainability, enabling organisations to flourish in a constantly changing environment.

DIGITAL TRANSFORMATION IN BANKING SECTOR IN INDIA:

In the age of internet banking, several transformative developments are anticipated. Certain consumers may expect fully automated banking processes due to limited time and competence, while others may want a high degree of personal involvement. Consequently, the banking business will exhibit a high degree of adaptability in the future. Deloitte states that the expansion of digital banking is prioritizing customers in all digital strategies, and institutions must promptly adopt these strategies to ensure seamless integration by 2030. In the future, banks will need to thoroughly and accurately analyze their clients' profiles to meet legal requirements and provide extra services that are advantageous to consumers. Data-driven solutions have already captured the attention of several individuals and are the inevitable future of the banking industry. The integration of AI, augmented reality, distributed ledger technology, and automation will enhance the level of personalization in the banking experience. In summary, the banking industry is undergoing significant digital transformation across all areas, and institutions who adapt sooner will have a competitive advantage.

CHALLENGES POSING AS ROADBLOCKS FOR DIGITAL BANKING:

Regulatory compliance is a complex challenge for digital banking, as the regulatory landscape continues to evolve. Ensuring that digital banking practices adhere to constantly changing regulations demands substantial resources and adaptability. Compliance issues can lead to legal consequences and reputational damage, making it crucial for banks to stay abreast of regulatory changes and implement effective governance frameworks. Customer trust is paramount in banking and the fear of fraud and identity theft in the digital realm can be a significant roadblock. Establishing and maintaining trust in digital banking requires transparent communication about security measures, as well as proactive measures to address any breaches or incidents promptly. Furthermore, the rapid pace of technological advancement itself can be a challenge. Banks must continually invest in updating their technology infrastructure to keep up with evolving customer expectations and industry standards. Legacy systems can create compatibility issues and slow down the adoption of innovative digital solutions. Cyber security concerns, overcoming the digital divide, navigating regulatory complexities, building and maintaining customer trust, and managing the rapid pace of technological change are among the challenges that pose as roadblocks for the seamless implementation of digital banking. Successfully overcoming these challenges requires a strategic and adaptive approach from the banking industry.

SIGNIFICANCE OF THE STUDY:

Digital transformation is the use of digital technology and tactics to fundamentally alter an organization's operations and delivery of value to its consumers. This change may have a significant influence on several facets of an organisation, including its business model, operational procedures, corporate culture, and connections with customers. An interdisciplinary methodology for examining digital transformation entails incorporating perspectives from several academic and professional domains to get a holistic comprehension of its intricacies. Examining the possible consequences of emerging technology and social shifts on digital transformation in the future. The objective of this interdisciplinary approach is to give a more thorough comprehension of the digital transformation phenomena and provide valuable insights for both the academic and industrial sectors. When coupled, they synergistically enhance invention and foster development. They provide the essential data and computing resources for AI algorithms to flourish. The combination of digital transformation and AI is reshaping company models, consumer interaction, and industry norms.

NEED & IMPORTANCE OF DIGITAL TRANSFORMATION IN BANKING SECTOR:

Implementing advanced cyber security measures and complying with ever-changing regulations are essential to safeguard customer data and maintain trust. Digitalization enables banks to adopt robust security

protocols, ensuring the integrity of financial transactions and protecting against emerging cyber threats. Banks that embrace emerging technologies such as block chain, machine learning, and cloud computing can create innovative solutions that cater to evolving customer needs. The need for digital transformation in the banking sector arises from the demand for enhanced customer experiences, operational efficiency, security, and innovation.

RESEARCH PROBLEM:

The banking sector has seen several transformations in recent times. The banking industry is required anywhere at any time. Consequently, there has been a need for the implementation of electronic banking technologies, since they lower the expenses associated with providing banking services, maintain client loyalty, enhance financial gains, and allow banks to effectively compete in the market. Hence, it is essential to do research on the metamorphosis of banks facilitated by e-banking services. Growth in internet and mobile technologies has revolutionized the banking business. It has empowered customers with more autonomy in managing their banking activities. Establishing a profound comprehension between the staff and consumers is vital in this fiercely competitive atmosphere. It is extremely vital to know how the workers and customers of the banks feel about the transition of banks from their old approach into the digital way whether they can adjust to the new way is a significant question mark. Therefore, it is necessary to grasp their viewpoint towards the transition the challenges associated to the modifications. Therefore, it is crucial to examine the perspective of both bank staff and clients within this particular setting.

RESEARCH OBJECTIVES AND METHODOLOGY:

The aim is to examine the correlation between the respondents' demographic characteristics and their perceptions and to identify the factors influencing the source related to digital services. The research was conducted with a sample size of 200 respondents who were picked using the convenient sampling method. The data were gathered via the use of Google forms. As digital transformation continues, banks must prioritize and continually enhance their security measures to maintain the trust of their customers and the integrity of the financial system. The automation of routine transactions stands out as a transformative aspect of digitalization within the banking sector. As financial institutions increasingly adopt digital technologies, automation becomes a pivotal tool for streamlining operational processes. Mundane and repetitive tasks, such as transaction processing, account updates, and fund transfers, can be efficiently handled by automated systems.

HYPOTHESIS:

There is no discernible disparity in client understanding about different aspects of digital services.

ANALYSIS INTERPRETATION AND RESULTS:

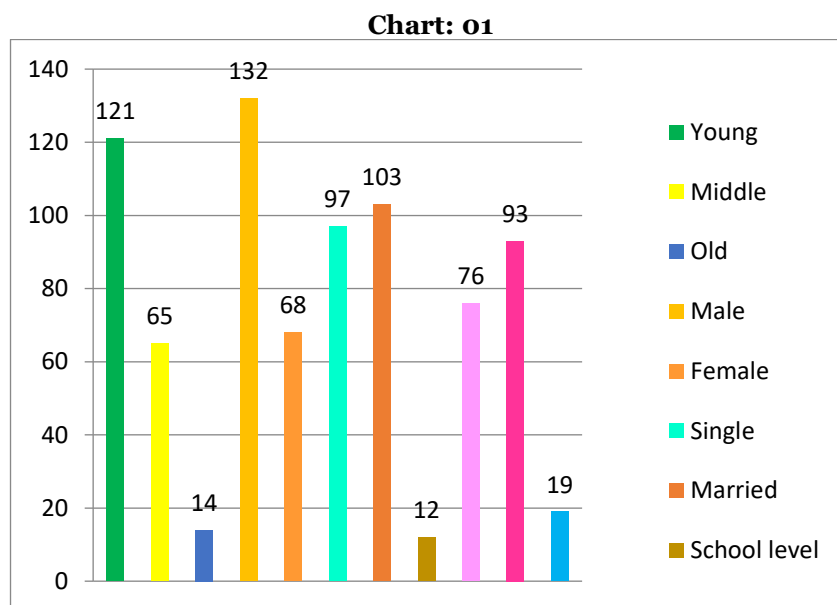
The banking industry has witnessed a surge in demand for mobile banking apps, online transactions, and innovative digital services from this tech-native demographic. Technology or a preference for traditional banking methods can influence their adoption rate. The age demographic plays a significant role in shaping the impact of digital transformation in the banking sector.

Table 1:

Nature of the respondents		No	Percentage
Age	Young	121	60.5
	Middle	65	32.5
	Old	14	7
Gender	Male	132	66
	Female	68	34
Marital status	Single	97	48.5
	Married	103	51.5
Educational qualification	School level	12	6
	Graduation	76	38
	Post graduation	93	46.5
	Others	19	9.5
Total		200	100.0

The findings reveal that 121 individuals, accounting for 60.5% of the total respondents, are classified as belonging to the youthful age group. Additionally, 65 respondents, representing 32.5% of the total, fall into the medium age group, while 14 individuals, constituting 7.0% of the total, are aged beyond 40 years. Younger generations, such as Millennials and Generation Z, are generally more tech-savvy and open to

adopting digital banking solutions. For them, digital channels offer convenience, speed, and a seamless user experience. However, even within these demographics, there is a growing trend of digital adoption as individuals become more comfortable with technology or experience the benefits of digital banking firsthand. As the demographic landscape continues to evolve, understanding and adapting to the varying levels of digital readiness among different age groups will be essential for the success of digital transformation in the banking sector. Banks need to consider these age-related dynamics when implementing digital transformation initiatives. Effective communication and educational efforts can help address concerns among older demographics, fostering a more inclusive and accessible digital banking experience for customers of all ages.



132 (66.0%) respondents are male and 68 (34%) are female. According to the marital status, it is observed that 97 are unmarried and 103 are married. The classification of the respondents based on their educational status shows that majority (46.5 %) respondents are Post graduation.

Gender and marital status can have distinctive impacts on the adoption and experience of digital transformation in the banking sector. While these factors may not be direct determinants, they can influence attitudes and preferences, shaping how individuals interact with digital banking services. In terms of gender, studies have suggested variations in the adoption rates of digital banking technologies. Women, in some instances, may express higher concerns about privacy and security, influencing their willingness to engage with online banking platforms. Financial institutions need to be mindful of these concerns and implement measures to enhance the security and trustworthiness of their digital services, thus encouraging broader adoption among female customers. Marital status can also play a role, particularly in financial decision-making within households. Married individuals may be more likely to consider joint accounts or shared financial responsibilities, impacting the features and accessibility requirements they seek in digital banking services. Customizing digital offerings to accommodate joint account management, collaborative financial planning tools, and seamless information sharing becomes crucial to meet the needs of married customers.

AWARENESS ON DIGITAL TRANSFORMATION:

Awareness and education initiatives targeted at different gender and marital status demographics can contribute to bridging any gaps in digital literacy. Ensuring that all segments of the population, regardless of gender or marital status, feel comfortable and informed about the advantages and security measures of digital banking will promote greater inclusivity in the adoption of these transformative technologies. The preferences and concerns related to gender and marital status is essential for financial institutions aiming to create a digital banking landscape that is accessible and appealing to a diverse customer base. Their comprehension of these characteristics is accessed via a 5-point Likert scale. The disparity in the amount of awareness is seen in the following table.

Table 2: Opinion towards the digital transformation

Dimensions	Mean	Std. Dev	Mean Rank	Rank
Automation of routine transactions	3.05	1.034	4.06	II
Straightforward digital insurance	2.89	1.011	3.76	III
Operational efficiency	2.21	1.065	3.42	IV
Trustworthy security	3.56	1.137	4.87	I

Personal Finance Management	2.09	1.149	3.33	V
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As financial institutions transition towards more digital platforms, the assurance of robust security measures becomes paramount to instill confidence among customers. The adoption of technologies such as encryption, multi-factor authentication, and biometrics has been instrumental in safeguarding sensitive financial information. Customers need assurance that their digital transactions and personal data are secure, especially in an environment where cyber threats are constantly evolving. Therefore, investing in and maintaining a state-of-the-art security infrastructure is not just a regulatory requirement but a strategic imperative for banks undergoing digital transformation. Moreover, the impact of trustworthy security extends beyond customer confidence. It is a catalyst for the broader adoption of digital services. When individuals trust that their financial data is secure, they are more likely to embrace online banking, mobile payments, and other digital transactions. This increased adoption, in turn, contributes to the efficiency and cost-effectiveness goals that drive digital transformation initiatives within the banking sector. The hypothesis aims to assess the major disparity in awareness levels about several aspects using the Friedman test, as outlined below.

Table 3: Friedman Test

No. of. respondents	200
Chi-Square	17.101
difference	4
Sig.	0.004

The Chi-Square value (17.101) computed in the Friedman test for 4 degrees of freedom is statistically significant at a 1% significance level. The significance level is 0.006, which is less than 0.01. Therefore, the hypothesis is rejected. It is concluded that the awareness of the respondents towards digital transformation are significantly high. Trustworthy security is a linchpin in the successful digital transformation of the banking industry. It serves as the foundation upon which customer trust is built, enabling the widespread adoption of digital banking services and ensuring the sector's resilience against the evolving landscape of cyber threats. This not only enhances operational efficiency but also contributes to a seamless customer experience. Clients benefit from faster transaction processing times, real-time updates, and the convenience of conducting routine banking activities through digital channels, such as mobile apps and online platforms. Moreover, automation contributes to cost savings for banks by reducing manual labor and operational overhead. The resources saved can be redirected towards innovation, technology upgrades, and the development of advanced customer-centric services. The ability to automate routine transactions positions banks to adapt more readily to the evolving financial landscape and respond promptly to changing customer needs. In essence, the automation of routine transactions is a cornerstone of digital transformation in banking. It not only improves operational efficiency but also plays a crucial role in delivering enhanced customer experiences and ensuring the agility of financial institutions in an increasingly digital world. As banks continue their digital journey, the strategic implementation of automation technologies will remain a key driver of innovation and competitiveness in the evolving financial services landscape.

CONCLUSION:

The impact of digital transformation on the banking sector has been profound, reshaping the industry in unprecedented ways. One of the most noticeable effects is the enhanced customer experience. Digital transformation has empowered customers with convenient, on-the-go access to banking services through mobile apps and online platforms. Operational efficiency is another area where the impact is evident. Automation of routine transactions and processes has significantly reduced manual workload and operational costs for banks. Digital transformation has streamlined internal operations, resulting in quicker decision-making processes and improved resource utilization. This data-driven approach allows for personalized services and targeted marketing, enhancing the ability of banks to meet the evolving needs of their customers. The rise of digital transactions has brought about new cyber security concerns. Banks are now tasked with ensuring the security of sensitive customer data in an environment where cyber threats are becoming more sophisticated. Additionally, the need for continuous technological upgrades poses a challenge, especially for traditional banks with legacy systems that may struggle to keep up with the pace of digital innovation. Improved customer experiences, operational efficiency, and data-driven decision-making, it also presents challenges that require strategic planning and investment to navigate effectively. As the digital landscape continues to evolve, the banking sector must remain vigilant and adaptive to harness the full benefits of ongoing digital transformation.

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