



Digital Transformation in Financial Services and Challenges and Opportunities

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ABSTRACT

The economic development of any country depends on the well structured and innovative financial system of the country. Innovation is the need of the hour in any segment. The word is continuously experiencing unbelievable innovations in all the areas. Finance which is said to be integral part of all the sectors has witnessed rapid technological innovations. India which stands in the list of top developing countries is presently under the deeper shadow of digitalization.

The digitalization in the financial services is not a new development but the application is widened with the new developments in the Fin-tech services. The Adhar linkage and e KYC have simplified the life of the Indians. The digitalization has brought satisfaction in the minds of the people about the real time transactions because of tools like Immediate Payment Services (IMPS). Digitalization or digital transformation in financial services refers to the process of adopting cloud, social media social Medias, mobiles, big data for ease and efficient based results in the financial services.

The different financial services providers in India have started adopting new technology in order to meet the fast growing needs of the customers. The digital transformation in the financial services in the country by the different players has provided opportunities and created challenges. This paper makes an attempt to address those opportunities and challenges in the financial services caused by digitalization.

KEYWORD: *Acceptability, Customers, Digitalization, Innovations and Services,*

INTRODUCTION

The financial services are at the transmission phase. The financial service sector has undergone drastic changes due to the transmission phase. Digitalization has brought new concepts, business models new areas of focus in the financial service sector. The implementation of new develops arising out of digitalization demands the acceptability by all who are involved in the financial services sector. Therefore everyone who is a part of the process needs to adjust their own operations to fit the needs of digitalization. The key to survival in this sector is depends on the ability to adapt and adjust with the digitalized developments.

Digitalization:

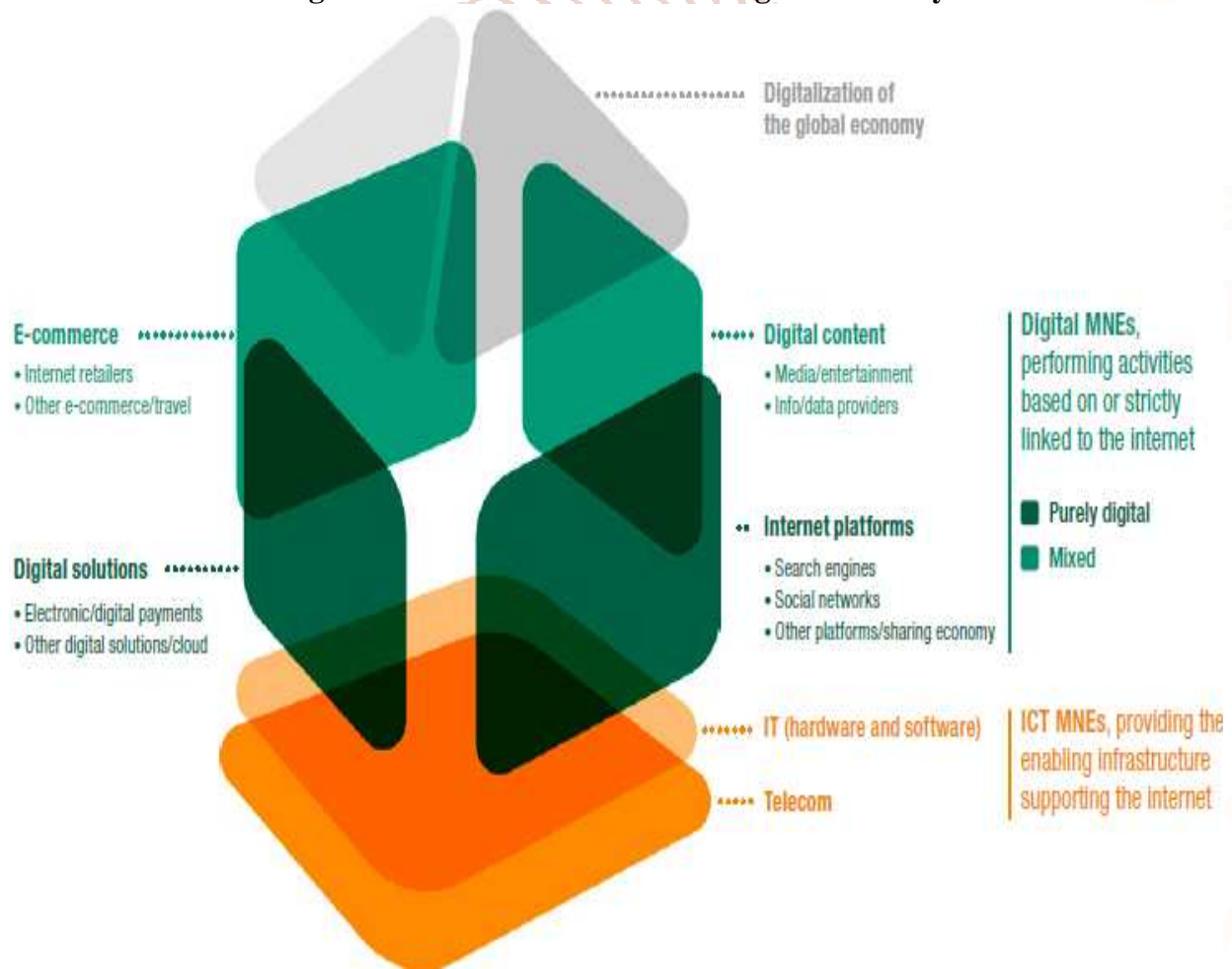
Digitalization is a recent trend which began during 1980s when home computers were introduced to in the consumer markets which opened new channels for consumers to become more communal and aware of civil democratic issues than ever before. Digitalization is an opportunity for companies and organizations to improve their business activities. Digitalization can be defined as the use of digital technologies in order to create new business models and to provide new revenue and value-producing opportunities. It is the process of moving into a digital business and the integration of digital technologies into everyday life. (Gartner 2016, cited 28.11.2016.)

Digital transformation in financial services

The financial services in India were computerized decades back but real digitalization process has gained the momentum only after the revolutionary steps like demonetization and cashless economy taken by the Government of India during the year 2016. The radical transformation of the industry was delayed due to market advantages of traditional financial services providers. These included the established trust of customers, regulatory barriers to entry in banking and insurance and supervisory approaches that created a bias to internalizing all or most of the value chain.

The financial crisis of 2008 has shaken the trust of the investors in the financial institutions which made the process of capital rising difficult. This rated a opportunity for small and less regulated non banking financial institutions to utilize the market and grow. These institutions offered the financial services at a cheaper rates and convenient terms because of their technology based services. This development has resulted in increasing trust of the customers towards the non banking financial institutions. This in turn necessitated the economy to digitalize the following chart shows the Architecture of Digital Economy.

Figure No: 1 the Architecture of Digital Economy



Source: ©UNCTAD.

Opportunities of digitalization in the financial sector:

The trend of digitalization has created many opportunities in the financial sector.

1. Demand for wide range of services :
The invocative market is expecting more number of services from the service providers with at a

least cost. Of course most of services we find in the market but still there is scope for addition of features with cost reduction in order to increase the number of customers.

2. Merger of Financial Services of Banking and Non Banking Financial Companies:

Presently we will find different services are provided by the banks and non banking financial Institutions. The combination of these services will definitely benefit the service providers and customers. This will also help to avoid the unhealthy competition in the market.

3. Replacement of Physical or Branch Banking and improving efficiency:

The cost of operating the banking branches is very high in the present day of increasing prices. The digitalization will be a better alternative to the banks and financial institutions to lower the cost the increase the efficiency.

4. The future prospects of Aadhaar eKYC will make people's life easier with overall processing becoming easy. Further, the digitisation brings peace in people's life with real time transaction with Immediate Payment.

Challenges of Digitalization in the Financial Sector

1. Dominance of Cash:

In many areas in the economy we found the need and existence of cash. All the transaction cannot be brought under the shelter of digitalization. Therefore efforts are essential to reduce the cash transactions.

Lower income and financial literacy levels (low value transactions, smaller fees, need for user education)

2. Weaker Technology and inability to replace:

Majority of the institutions in the financial market are operating on the traditional technology. The replacement and up gradation is expensive.

3. Threat :

The customers and the service providers in the financial markets are under the threat external of hacking not only that they are exposed to the frauds by the employees.

4. Lack of Awareness and Mindset:

Once need to accept the fact that in spite of efforts by the Government there are still people without having bank account. In such an environment there is a lack of awareness digitalized benefits of financial sector. Further certain category customers are reluctant to adopt and adjust with the changes.

5. Lack of Training g to Staff:

The technical innovations in terms of digitalization of financial services require trained and updated staff as the digitalization at its inception stage due to delay. The institutions are not in position to offer for this due to cost or lack of resources.

Suggestions:

1. Creating Awareness of digitalized benefits to the customers.
2. More motivation by the Government for increasing digitalized Transactions.
3. Effective Regulatory system for monitoring digitalized transactions.
4. Provision of technological services by RBI for the needy and poor financial institutions.
5. Strong imitative towards the cashless economy.

Conclusion

The digitalization in the financial services is not a new development but the application is widened with the new developments in the Fin-tech services. The key to survival in this sector will be the ability to adapt to the technological changes and adjust. The best example of transmission we can quote is the mobile loan or internet based loan which has become popular in recent years. The bankers who use to make the borrowers to stand in a big queue in the past are now behind the search of the borrowers. This became possible due to digitalization.

The different financial services providers in India have stared adopting new technology in order to meet the fast growing needs of the customers. The key to survival in this sector will be the ability to adapt to the technological changes and adjust. There are challenges which the service providers need to accept for the survival and progress in the financial market.

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