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DIGITAL BANKING AND FINANCIAL INCLUSIONS

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ABSTRACT:
Digital Banking involves the digitalization of all traditional banking products, processes and activities to serve customers through online channels. This includes Obtaining bank statements, Cash withdrawals, Fund transfers, Opening accounts, Loan management, Bill payments, Cheque management, Transaction records monitoring, etc. With digital banking , all bank branch services are available 24/7 on mobile phones, computers and compatible smart devices. Digital banking software makes all traditional services easier to access, understand and manage.

Digital banking allows banks to test lower risk concepts before moving parts of the old legacy business to the new system. Notable examples include Goldman Sachs' Marcus, RBS' Bo, and State Bank of India's YONO, which gained more than 26 million customers and reached profitability within 18 months. Digital transformation will be a top priority for banks in 2021.

Digital banking systems are much more flexible and allows banks to add and expand features much faster than traditional systems. Digital banking relies on high level process automation, web based services and APIs to provide banks and their customers with high level of cost efficiency, security and flexibility. Modern banking solutions enable a fully digital customer journey, generating real time data streams and accelerating key analytics.

Key words: - *Digital Banking , Goldman Sache' Marcus , RBS' Bo , State Bank of India's YONO.*

HISTORY OF DIGITAL BANKING

The earliest forms of digital banking trace back to the advent of ATMs and cards launched in the 1960s. As the internet emerged in the 1980s with early broadband, digital networks began to connect retailers with suppliers and consumers to develop needs for early online catalogues and inventory software systems.

By the 1990s the internet became widely available and online banking started becoming the norm. The improvement of broadband and ecommerce systems in the early 2000s led to what resembled the modern digital banking world today. The proliferation of smart phones through the next decade opened the door for transactions on the go beyond ATM machines. Over 60% of consumers now use their smart phones as the preferred method for digital banking.

The challenge for banks is now to facilitate demands that connect vendors with money through channels determined by the consumer. This dynamic shapes the basis of customer satisfaction, which can be nurtured with Customer Relationship Management (CRM) software. Therefore CRM must be integrated into a digital banking system, since it provides means for banks to directly communicate with their customers.

There is a demand for end to end consistency and for services, optimized on convenience and user experience. The market provides cross platform front ends, enabling purchase decisions based on available technology such as mobile devices, with a desktop or smart TV at home. In order for banks to meet consumer demands, they need to keep focusing on improving digital technology that provides agility, scalability and efficiency.

MAJOR BENEFITS OF DIGITAL BANKING

- **Business Efficiency**

Not only do digital platforms improve interaction with customers and deliver their needs more quickly, they also provide methods for making internal functions more efficient. While banks have been at the forefront of digital technology at the consumer end for decades, they have not completely embraced all the benefits of middleware to accelerate productivity.

- **Cost Saving**

One of the keys for banks to cut costs is automated applications that replace redundant manual labor. Traditional bank processing is costly, slow and prone to human error . Relying on people and paper also takes up office space, which runs up energy and storage costs. Digital platforms can future reduce costs through the synergies of more qualitative data and faster response to market changes.

- **Increased Accuracy**

Traditional banks that rely mainly on paper processing can have an error rate of upto 40%, which requires reworking. Coupled with lack of IT integration between branch and back office personnel, this problem reduces business efficiency. By simplifying the verification process, it's easier to implement IT solutions with business software, leading to more accurate accounting. Financial accuracy is crucial for banks to comply with government regulations.

- **Improved Competitiveness**

Digital solutions help manage marketing lists, allowing banks to reach broader markets and build closer relationships with tech savvy consumers. CRM platforms can track customer history and provide quick access to email and other forms of online communication. It's effective for executing customer rewards programs that can improve loyalty and satisfaction.

- **Greater Agility**

The use of automation can speed up both external and internal processes, both of which can improve customer satisfaction. Following the collapse of financial markets in 2008, an increased emphasis was placed on risk management. Instead of banks hiring and training risk management professionals, it's possible for risk management software to detect and respond to market changes more quickly than even seasonal professionals.

- **Enhanced Security**

All businesses big or small face a growing number of cyber threats that can damage reputation. In February 2016 the internal revenue service announced it had been hacked the previous year, as did several big tech companies. Banks can benefit from extra layers of security to protect data.

CONCLUSION :

Due to the digital banking system banks can gain a significant competitive edge is developing a more robust IT architecture. By replacing manual back office procedures with automated software solutions, banks can reduce employee errors and speed up processes. This paradigm shift can lead to smaller operational units and allow managers to concentrate on improving tasks that require human intervention. Automation reduces the need for paper, which inevitably ends up taking up space that can be occupied with technology.

There are some obstacles in digital banking that is Mergers and Acquisitions, new product and government regulations have already established complex IT architecture difficult to revise. Also IT teams do not always grasp business priorities. Many banks are having lack of IT expertise so the business on traditional way.

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