



# Emerging Trends in Digital Banking | *Delivering next- generation financial services*



# INDEX

## **Introduction**

### **Section 1**

*An overview of the Digital Banking landscape*

### **Section 2**

*Types of Digital Banks and 7 steps to achieve digital transformation*

### **Section 3**

*Technologies and Platforms of Digital Banking*

## **Conclusion**



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# Introduction



The banking industry, like other businesses, aims to incorporate new processes and digital technology into its daily operations. This complicated collection of measures needs a systematic and careful approach, particularly in the area of financial services, which involves considerable investment and severe risks. Digital transformation in the banking sector entails a series of changes to integrate various fintech technologies to automate, optimize, and digitize operations, while also ensuring data protection. This process includes many significant and minor adjustments to the financial industry's techniques and technologies.<sup>1</sup>

In this context, it is undisputed that banks need to embrace emerging technologies to be competitive and successful, to put customers at the center of their strategy, to switch to new business models and to cooperate with fintechs. The pandemic has forced financial institutions to move from a closed to more open banking models. In the wake of Covid-19, economic activity has been ferociously affected, mostly in relation to banking and financial operations. Banks have witnessed an opportunity to speed up their digital banking projects to assist consumers during the health crisis and prepare for the post-pandemic era.

In 2020, the adoption of advanced digital channels across business categories proliferated, validating the importance of the digital banking journey.<sup>2</sup> Thus, it is not surprising that after the disruption caused by the Coronavirus outbreak, banks have intensified their digital transformation efforts, resulting in a surge of users opting for digital banking. Currently, 2.5 billion customers use digital banking services around the world. According to a survey conducted by Juniper Research in the United Kingdom, about 53 percent of the worldwide population is expected to have access to digital banking by 2026.<sup>3</sup>

1. Roznovsky, A., Kovtun, A. (2021, February). Digital transformation in banking. Light IT.

2. Ojha, S. (2021, June). How digital banking picks up pace amid Covid-19 pandemic in India. Mint.

3. Financial Express. (2021, July). Half of global population will use digital banking by 2026, says report.



# SECTION 1

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# An overview of the Digital Banking landscape

## **Digital Banking definitions and its products**

Digital banking terminology includes many concepts and descriptions. It is the effective and efficient integration of breakthrough technology that a financial services business applies, along with changes in internal and external corporate and staff relationships. Another prevalent definition is the use of technology to ensure seamless end-to-end processing of banking transactions/operations, initiated by the client. This provides optimal utility to the customer in terms of availability, usefulness, and cost, and to the financial institution in terms of decreased operating costs, zero errors, and improved services.<sup>4</sup>

It also refers to the capacity to do all banking transactions through the internet, allowing consumers to access and navigate through all typical banking services 24/7, without having to visit a physical bank branch. To be more precise, digital banking offers users the following products.

4. Investor Tonight. (n.d.). Digital banking: Definition, concept, needs, role, prerequisites.

Introduction

Section 1

Section 2

Section 3

Conclusion



### **Mobile banking**

The internet was the starting point for the digital banking revolution, followed by mobile phone platforms due to the massive adoption of smartphones in the market. Customers can now make their transactions on the go. Even while commuting, provided they have downloaded the related banking application in their mobile devices, they can transfer cash, invest in Fixed Deposits, and pay their expenses.

### **Investments**

Thanks to digital banking, financing has never been simpler. It takes only a few seconds to open a fixed deposit with the bank, and start investing in various financial products.

### **Cash withdrawals**

Customers do not need to visit a bank branch because ATMs are everywhere, where they can withdraw cash from an ATM at any time at the physical store of their vicinity.



Introduction

Section 1

Section 2

Section 3

Conclusion



### ***Keep transaction records***

Users can now keep up with their transactions' activity much easier. Furthermore, if money has been deducted from a consumer's account, banks send SMS alerts to the authenticated user to validate the transaction and prevent fraudulent purchases.

### ***Transfer of funds***

One of the most important features of digital banking is convenient ways to send and receive money. There is no need to bother with cheques or demand drafts.



### ***Bill payments***

Bills have never been more convenient to pay thanks to digital banking, transforming consumers' everyday life. By simply logging in, whether it is for power, gas, phone, or other services, people can manage their financial status and pay their expenses on time.

### ***Easy to stop cheques***

Users may need to halt checks for various reasons, mostly due to errors in amounts or beneficiary information. In such instances, digital banking enables the choice to stop check processing. All they have to do is log in and update instantly with the correct information.

### ***Obtain bank statements***

Customers can download bank statements from any period without having to request a printout from a bank.<sup>5</sup>

5. HDFC Bank (n.d.). What is digital banking?





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