



SHRI NEHRU MAHA VIDYALAYA COLLEGE OF ARTS AND SCIENCE (SNMV)

(Affiliated to Bharathiar University, Coimbatore, Re-accredited with "A-" Grade by NAAC)
Shri Ganthimal Betta Nagar, Malumachampatti, Coimbatore - 641 050, Tamil Nadu, India.



National Seminar Proceedings on Digital Transformation in Financial Services: Today and Tomorrow

14 March, 2025

Sponsored by
INDIAN COUNCIL OF SOCIAL SCIENCE RESEARCH, NEW DELHI



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PG and Research Department of Commerce
Shri Nehru Maha Vidyalaya College of Arts and Science
Coimbatore -641050, Tamil Nadu, India

Editor-in-Chief
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Estd. 1989



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Edition: First

Year: 2025

ISBN: 978-81-985657-5-4

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Publisher



(International Publisher)

Kanyakumari, Chennai, Australia.

Phone: +91 6384730258

E-Mail: editor@multispectrum.org

www.multispectrum.org

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DIGITAL TRANSFORMATION IN FINANCIAL SERVICES

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ABSTRACT

Digital transformation is happening at a faster pace across sectors throughout the world. The financial services sector is leading in digital transformation as the transformation is expected ensure greater financial inclusion and produce greater transparent investment climate, thus motivating investors to go in for extensive investments. Savings of public will have to be channelized well in an economy so that such savings are becoming productive investments and offer fair returns to investors. The Financial System of an economy will have to provide greater room for investors in designing investment strategies which would in turn help them in attaining investment goals. The financial system will also have to aim to provide benefits of investments, to all types of investors, say large investors to small investors equally. Financial inclusion is the key objective of a financial system, which could be easily achieved through digitization of financial services. Secondly, financial system administration demands high transparency and that needs good documentation process, which could be achieved through use of right digital technologies such as Block Chain, Artificial Intelligence etc. So, digital transformation facilitates its participants to get access to certain documents remotely and through which process could be speeded up and facilities can be extended to people in demand at right time. There are a few challenges in effective implementation of digital transformation strategy within the financial services systems such as people still believe in cash-based transactions, perceive bank investments is the better investments among all other investment avenues and want to have longer documentation processes. The participants in the financial system will have to face such challenges to reap the benefits of digitization in carrying out financing and investment activities in an economy.

Keywords: Digitization, Digital Transformation, Financial System, Financial Inclusion.

I.INTRODUCTION

Digital transformation is the need of the hour in all sectors of an economy. Business processes are becoming automated, connected, shared, and distributed. The financial services sector helps in transforming funds from households i.e., investors community to industries for making expansion, modernization, diversification, and improvement strategies work better within an industry. Thus, investment commitments of investors are translated into improved business an process, which in turn promises a fair return on investments committed by investors. Digital technologies are currently being used by all sectors to reduce the costs of performing their business services and to make their products and services accessible for all kinds of customers. Organizations want to cover larger market for selling their products and services as this helps in minimizing costs since larger market is taken care through increased output level which in turn minimizes the costs of performing that business activity.

II.DIGITAL TRANSFORMATION – A TRANSFORMATION IN BUSINESS PROCESSES

Fitzgerald et. al (2014)¹ Digital transformation is the use of new digital technologies such as social media, mobile technology, analytics, or embedded devices to enable major business improvements. This definition makes it clear that digital transformation includes the following processes:

- (i) Organization must be coming forward to latest digital technologies such as data analytics, Robotic Process Automation, Artificial Intelligence, real time data visualization etc in performing their business processes.
- (ii) Making necessary changes in the ways and means of executing various business processes. Organizations are constantly looking for making changes in their products and processes to be an innovation oriented. Digital transformation helps in achieving this objective as the implementation of digital transformation strategy makes organizations highly innovative as it forces them to change the ways and means of performing their business processes.
- (iii) Digital transformation as a strategy aims at providing improved value to the customers. Digital transformation brings out changes in products and processes that organizations conventionally have, which in turn enhances the value that customer derives from the products and services.

III.DIGITAL TRANSFORMATION STRATEGIES FOR FINANCIAL SERVICES PROVIDERS

Digital transformation is a long-term strategy rather it is a short-term one. Services providers will have to carefully plan and execute digitization of their services as this should not be disrupting the whole process, rather it must be yielding benefits to both investors and service providers. Kirk (2020)¹⁰ argues that there are no hard and fast rules to be adopted in implementing digitalizing business processes, rather companies can follow a systematic approach in implementing it. The following phases are recommended for Financial Services Sector to adopt in Digital Transformation of their services:

- (i) Selecting of modern technologies that meet the specialized needs.
- (ii) Understanding the modern-day buyer expectations to understand and engage better with customers.
- (iii) Focusing on personalization to deepen the relationships between customers and their financial advisors to build long-term trust and credibility.
- (iv) Leveraging the power of data and analytics to track progress and use to be closely engaged with customers to improve their experience.

IV.DIGITAL TRANSFORMATION IN FINANCIAL SERVICES SECTOR

Digital finance transformation is the process of using digital technologies to modernize financial services. The goals of digitalizing financial services include:

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- (i) Making financial services more efficient, effective, and accessible. (Through automation)
- (ii) Improving customer interaction, and increasing transparency in financial transaction (through use of technologies) Anna & Karma (2022)³ argue that Fintech aims for consolidating and influencing the launch of new business ecologies, in which banks will be playing a major role and fin tech will bring in innovation and differentiation in market services. Thus, digital transformation in financial services aim for bringing in innovation and differentiation in financial services being provided. Digital transformation ensures accessibility to financial services for everyone thus, provides a big scope in achieving greater financial inclusion.

V.SIGNIFICANCE OF DIGITAL TRANSFORMATION IN FINANCE

The finance industry has been conventionally slow for borrowing new technologies, however the arrival of new technologies has made it significant for financial institutions for embracing transformation. Digital transformation enables financial institutions to offer substantiated services, reduce costs, increase effectiveness, alleviate pitfalls, and ameliorate client experiences. By embracing it, financial institutions can work data and analytics to make further informed opinions and enhance their operations. Also, digital transformation in finance can help financial institutions to stay ahead of the competition by enabling them to produce new products and services that feed to the evolving requirements of their clients. Thus, digital transformation is pivotal for financial institutions to stay applicable and thrive in today's competitive geography.

VI.BENEFITS OF DIGITAL TRANSFORMATION IN THE FINANCE SECTOR

Digital transformation is reshaping the financial assiduity, furnishing multitudinous benefits to both financial institutions and their clients. In this section, we will explore some of its crucial benefits in finance, including enhanced client experience, increased effectiveness, bettered data analysis, enhanced security, and competitive advantage.

Digital transformation enhances client experience financial institutions can give substantiated services and ameliorate availability through different digital channels. This can drive towards increased client satisfaction and loyalty.

1. Increased effectiveness

Digital transformation can help financial institutions automate and streamline different processes, leading to cost savings, faster reversal times, and bettered accuracy.

2. Bettered data analysis

It enables financial institutions to work advanced analytics tools and algorithms to make further informed opinions and identify new business openings.

3. Enhanced security

Digital transformation can ameliorate security by enforcing advanced cybersecurity measures for instance, as encryption, biometric authentication, and real time monitoring. This can cover financial institutions from cyber pitfalls and insure the safety of client data.

4. Competitive advantage

It can also give financial institutions with a competitive advantage by enabling them to produce new products and services that feed to the evolving requirements of their clients. Financial institutions that are adopting digital transformation are able to stay ahead of the competition and stay useful in today's digital era.

VII.IMPACT OF FINANCE AND DIGITAL TRANSFORMATION

1. Disruption of traditional business models

It's disrupting traditional business models in the financial assiduity by creating new ways of delivering financial services, for example, as peer to peer lending, robo- advisory services, and mobile payments. As a result, traditional financial institutions are facing violent competition from digital-only startups and fintech companies that are more adaptable and agile.

2. Increased competition

Digital transformation has significantly increased competition in the financial assiduity, as clients now have access to a wider range of financial services and providers. This has forced traditional financial institutions to ameliorate their services, reduce costs, and introduce to remain competitive.

3. Bettered effectiveness

It has enabled financial institutions to automate and streamline different processes, performing in faster reversal times, reduced costs, and enhanced accuracy. For illustration, digital processes can help financial institutions handle client onboarding and loan processing more efficiently.

4. Greater personalization

It has also enabled substantiated services grounded on client experiences and preferences, leading to increased client satisfaction and loyalty. By using data analytics, financial institutions can offer substantiated investment advice and customized product recommendations.

5. Greater convenience for clients

Digital transformation in finance has made financial services more accessible and accessible for clients, who can now pierce their accounts and conduct deals through multiple digital channels, for instance, as mobile apps, online apps, and chatbots.

6. Increased security threats

It has also brought new security pitfalls to the financial assiduity, as financial deals and client data are highly exposed to cyber pitfalls. Financial institutions must apply robust security measures to cover themselves and their clients from implicit cyber attacks.

VIII.CHALLENGES OF DIGITAL TRANSFORMATION IN FINANCE

1. Resistance to change

One of the common challenges in digital transformation is resistance to change from workers and clients. It isn't easy to introduce new technologies and processes, and some individuality may feel uncomfortable or hovered by the changes. Proper communication and training are necessary to insure a smooth transition.

2. Legacy systems and processes

The relinquishment of new technologies may bear the relief or integration of legacy systems and processes. These systems can be outdated and incompatible with ultramodern tools, which can produce obstacles and delays in digital transformation. Upgrading legacy systems and processes can be precious and time consuming, but it's necessary to insure a smooth transition.

3. Data operation

Digital transformation generates an enormous quantum of data, and managing that data can be a significant challenge for financial institutions. Data operation includes collecting, recycling, storing, and assaying data, which can be time consuming and bear significant resources. Effective data operation is essential to realize the full benefits of digital transformation.

4. Cyber security risks

This process introduces new cyber security pitfalls, including data breaches, phishing attacks, and ransomware. Financial institutions must take acceptable measures to cover themselves and their clients from these pitfalls. This includes enforcing strong cyber security programs, training workers on best practices, and investing in cyber security technologies.

CONCLUSION

Digital transformation is the key success route for organizations as COVID-19 has disrupted the perspectives of businesses towards customers buying behaviour and habits. Conventionally, buyers are perceived as persons who are looking for more information on a product or service before they decide to buy them, and they decide to buy provided they get adequate information on a product and service after having seen them physically at a marketplace. Now, COVID-19, had made a big change in this behaviour as now customers would like to see the products and services online without visiting a marketplace. Buying and selling activities are happening online and for which buyers need a phone and an internet connection. Thus, buying and selling are now mostly happening online. This is pushing financial services providers to think extensively about providing financial services to customers digitally rather making them to visit any branch of a service provider. Financial services are working on the principles of ethics, transparency, effective delivery and minimal cost of availing a financing service. If a finance company can take care of these issues well, then making a customer to its loyal customer has not been that hard.

Acknowledgement

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