DIGITAL TRANSFORMATION IN BANKING AND ITS EFFECTS RELATED TO IT

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Abstract: In the 21st century, many industries are incorporating advanced technology into their operations, offering not only physical but also digital services. As a result, digitalization has become an essential part of these industries, potentially leading to significant benefits, but also some negative consequences. This article seeks to shed light on the digitalization of the banking industry and some important related aspects.

Keywords: Digitalization, banking services, digitization, fintech, digital services, cybersecurity.

Introduction: Initially, let's inform you about the essence of the banking industry. The bank, divided into commercial and central banks, is a key player in the financial industry that regulates monetary policy and basically works with individuals or enterprises to provide funds, exchange currency, and make other transactions. In the 21st century, as technology grows, banks are also taking a digital approach to creating comfortable services for clients. Let's introduce some popular banking services:

Online and Mobile Banking:

Banks have increasingly shifted towards providing online and mobile banking services to enhance customer convenience. Mobile apps allow customers to perform various transactions, check account balances, and receive real-time alerts. Furthermore, now the users of mobile banking apps can book bankcards by just giving some personal information, and their cards will be ready in a very short time. They also have an opportunity to apply for online loans, and on the condition of approving the application, clients can notice the change in their balance.

Fintech Collaboration:

Collaboration with fintech companies has become common as banks seek to leverage innovative technologies and improve the customer experience. Fintech partnerships enable traditional banks to offer new services and stay competitive in the rapidly changing financial landscape. Also, banks have implemented their KPI (Key point indicator) system to find out whether all departments are performing as planned for a fiscal year. During the process of working with clients, the clients can rate the service provided by workers, and this automatically identifies the quality of the workers' performance.

Data analytics and artificial intelligence (AI)

Banks are using data analytics and AI to gain insights into customer behavior, improve risk management, and enhance personalized services. AI-powered chatbots and virtual assistants are being employed for customer support. When you enter the website of banks, you can see a snapshot of the banks, in which you can see the tariffs, types of bank cards, and loans you can prefer. Additionally, if you need another type of assistance, you can write to the AI chatbot.

Cybersecurity:

With increased digitization, cybersecurity has become a top priority for banks to protect customer data and financial transactions. Investments in advanced cybersecurity measures are essential to safeguard against cyber threats. Protection from potential threats is a key aspect of gaining customer trust. That is why banks implement avant-garde security tools to ensure that nobody could attack the funds of clients.

Open Banking:

Open banking initiatives encourage the secure sharing of financial data among different financial institutions. This enables third-party developers to create new financial products and services. By allowing access to financial data, open banking fosters innovation and competition in the financial industry. However, it also raises concerns about data privacy and security. To address these concerns, banks must prioritize robust cybersecurity measures to ensure that customer information remains protected while enabling the benefits of open banking.

Cloud Computing:

Banks are moving towards cloud-based infrastructure to enhance scalability, agility, and cost-effectiveness. Cloud technology facilitates the deployment of new services and updates more efficiently. Additionally, cloud computing allows banks to store and analyze large amounts of data, which can be used to gain valuable insights and improve customer experiences. However, it is crucial for banks to implement strong data encryption and access controls to mitigate the risks associated with storing sensitive financial information in the cloud.

Regulatory Compliance:

Regulatory bodies are adapting to the digital era, introducing new frameworks to ensure the security and privacy of financial transactions. Compliance with regulations such as GDPR and PSD2 is crucial for banks undergoing digital transformation. By adhering to these regulations, banks can build trust with their customers and demonstrate their commitment to protecting their sensitive information. Additionally, regulatory compliance helps banks avoid hefty fines and legal consequences that may arise from non-compliance, further emphasizing the importance of implementing robust data protection measures.

Customer Experience:

Improving the overall customer experience is a central goal of digital transformation in banking. Personalization, streamlined processes, and faster services contribute to enhanced customer satisfaction. By leveraging customer data and analytics, banks can tailor their offerings to individual preferences and provide personalized recommendations, creating a more personalized and engaging experience. Moreover, digital transformation enables banks to automate manual processes, reducing wait times and improving efficiency, ultimately leading to faster services and increased customer satisfaction.

Remote and digital transactions:

The COVID-19 pandemic has accelerated the adoption of remote and digital transactions, making it imperative for banks to offer secure and user-friendly digital channels. These channels allow customers to conveniently and safely conduct transactions from the comfort of their own homes. Additionally, digital transactions provide banks with valuable data insights that can be used to further improve their services and tailor offerings to individual customer needs. Furthermore, digital transactions also reduce the need for physical paperwork and in-person interactions, which not only saves time but also promotes social distancing measures during the pandemic. This shift towards digital channels not only benefits customers but also allows banks to operate more efficiently and effectively in a rapidly changing technological landscape.

Conclusion.

In conclusion, the adoption of digital transactions has become crucial for banks to stay competitive and meet the evolving demands of their customers. By embracing digitalization, banks can enhance the customer experience, streamline operations, and stay ahead in the digital age. This transformation is not only a necessity but also an opportunity for banks to thrive in an increasingly digital world. Furthermore, digital transactions provide banks with valuable data insights that can be used to personalize and improve their services. By analyzing customer behavior and preferences,

banks can offer tailored recommendations and targeted marketing campaigns, ultimately increasing customer satisfaction and loyalty. Additionally, the adoption of digital transactions allows banks to reduce costs associated with physical infrastructure and manual processes, freeing up resources to invest in innovation and technological advancements.

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