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Digital Transformation In Retail Banking

53% OF THE GLOBAL POPULATION
WILL ACCESS DIGITAL BANKING BY 2026

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Introduction

Digital transformation in retail banking is not a new trend in the market. But the pandemic has accelerated digital transformation in retail banking many times. A massive number of people are switching to digital banking like mobile banking, net banking, e-wallets, UPIs (Unified Payments Interface), etc.

Fidelity National Information Services (FIS) which works with 50 of the world's largest banks, revealed in a report that in 2020, there was a 200% jump in new mobile banking registrations in early April, while mobile banking traffic rose 85%.

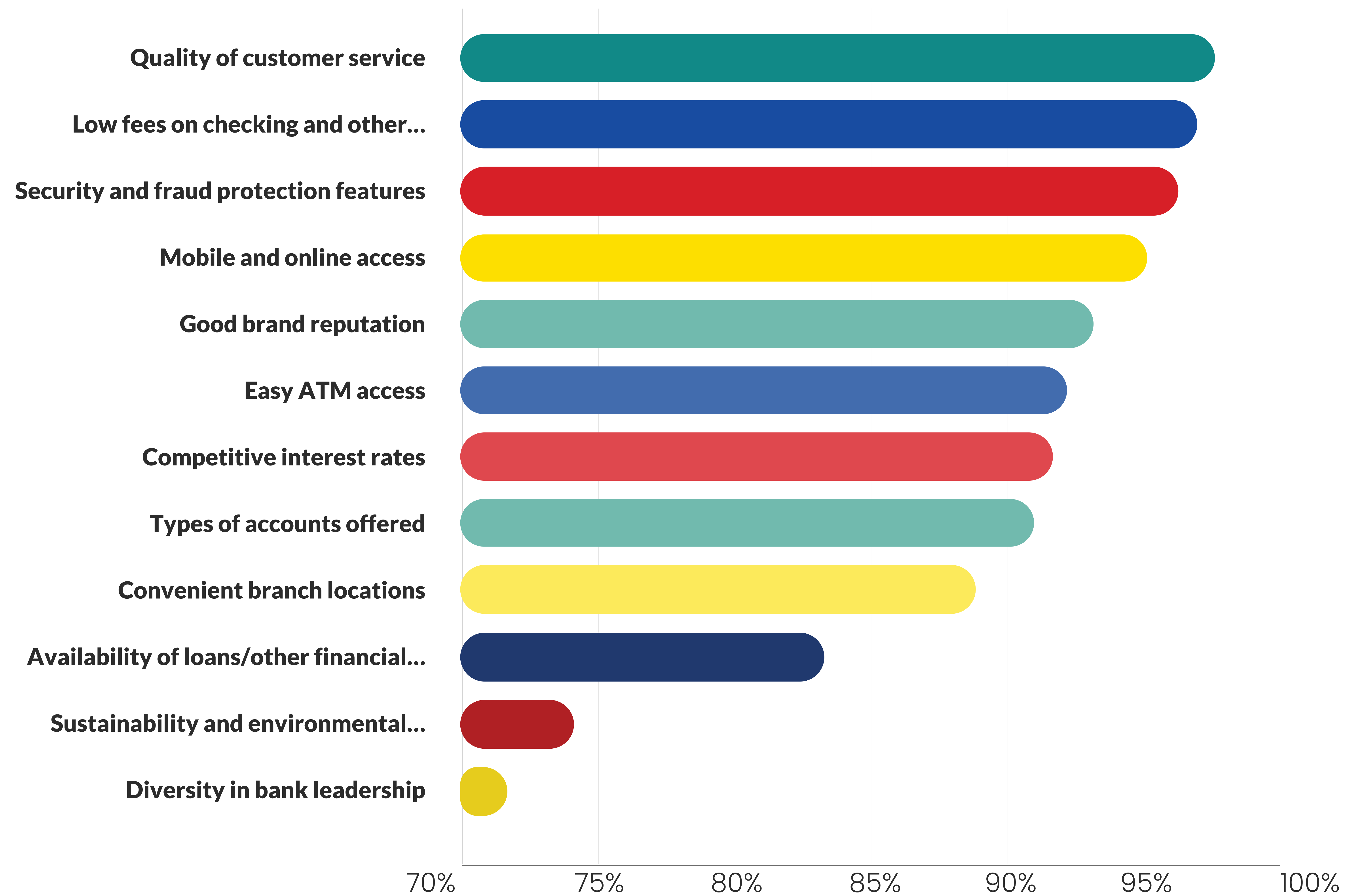
And the good news is, this surge is likely going to continue. Because customers have understood the importance of digital banking. They can access banking services at any time based on their convenience. Earlier, many people used to believe in a paradigm that digital banking will make them vulnerable to cyber attacks and eventually, they will lose their hard-earned money.

A [2020 Global Banking Consumer Study](#) by Accenture has shown that in 2020, 50% of consumers connected with their banks via a mobile app or website at least once a week, up from only 32% in 2018.

02

What is the importance of digital transformation in retail banking?

Before discussing the importance of digital transformation in retail banking, we need to understand what the customers want from banks.



Data source: The Ascent

The top demand from the customers remains the quality of customer service. Gone are those days when there were only a handful of banks available, and people didn't have any options to switch their accounts.

In today's world, you will find plenty of banks to open your account. If you don't like the service of a particular bank, you can switch to another. That means, banks need to be more customer centric. But for that, banks will have to understand what a customer wants by analyzing his or her data like spending habits, amount of loan he or she owes, etc. That's why digital transformation in banking is really necessary to change the banking experience of customers.

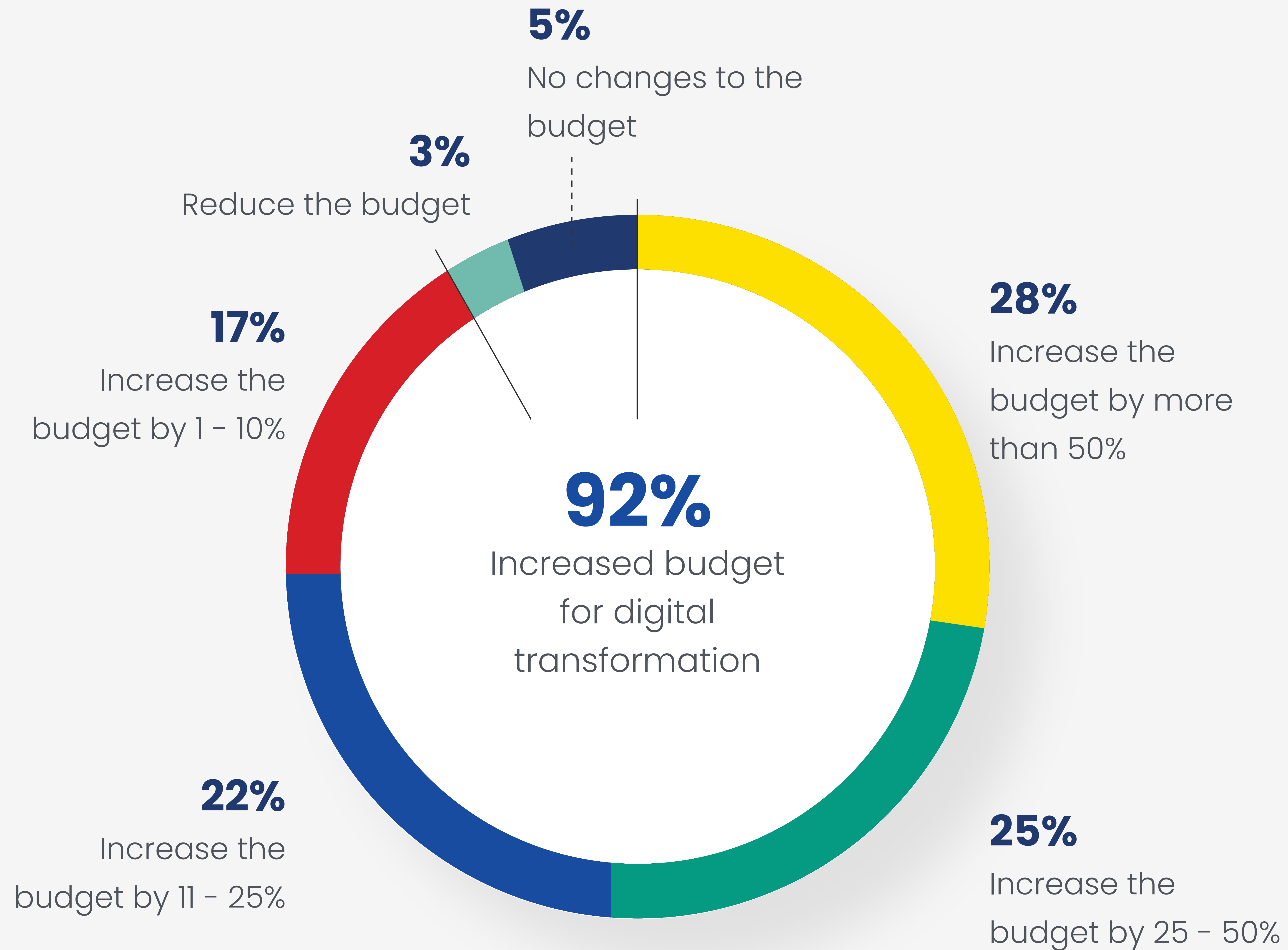
It's a history now when people used to dedicate a substantial part of their time for banking activities. Customers used to queue up in the banks to withdraw money from the banks. But who does that now? Everyone has ATM-cum-debit cards to withdraw money, and they can use it for depositing cash too in selected ATM kiosks.

Most of us are busy with work and don't have dedicated time for banking. We want everything at our fingertips and on our smartphones.

Would you like to visit the bank to complete KYC? Or, would you opt for a bank that offers video KYC for its customers?

You are likely to choose the second option as you can schedule your video KYC right from your smartphone and at your convenience. This way, banks need to understand customers' demands and improve their services through digital transformation.

Nine out of ten banks plan to increase their budgets for digital transformation



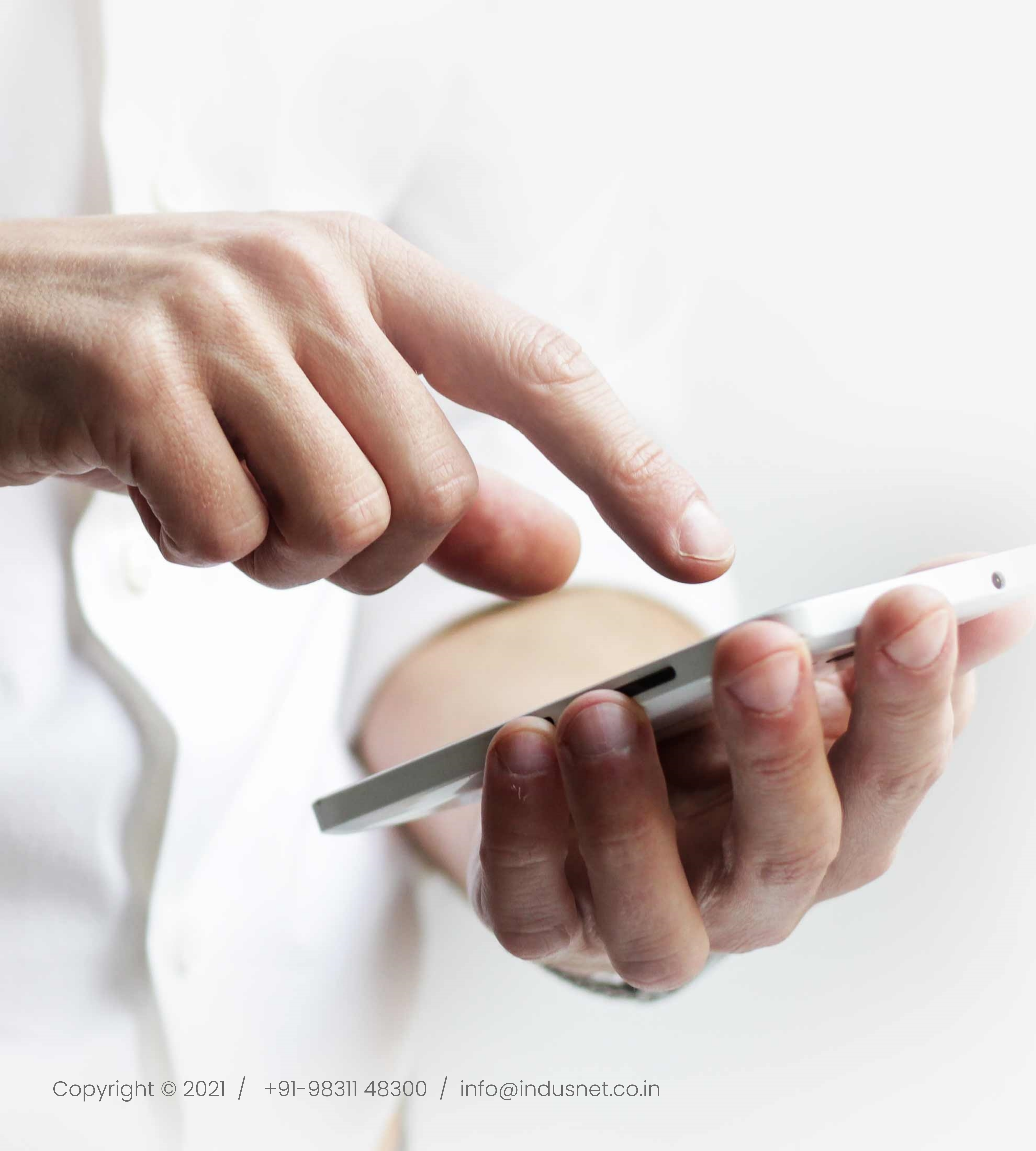
Data source: Roland Berger



How digital transformation is reshaping the retail banking industry?

Retail banks need to understand that the speed of digital transformation is only going to get faster. That's why they have to catch up to that speed to retain their customers, and rather expand it.

In this context, Richard Heeley, Chief Information Officer of Macquarie's Banking and Financial Services (BFS) said, "Our biggest challenge and opportunity is keeping ahead of evolving user expectations. Being able to deliver on them in a timely and efficient manner is dependent on the quality of the systems we have in place in the background."



The emergence of neo banks

During the pandemic, we have become well versed with the term 'new normal'. So, in the retail banking industry, neo banks are the new normal.

Have you ever imagined a bank without any physical existence but providing excellent services? If not, you should experience the services of neo banking. According to a [PwC report](#), the neo bank market is expected to accelerate at a compounded annual growth rate (CAGR) of around 46.5% between 2019 and 2026, generating around USD 394.6 billion by 2026.

Well, many of us may confuse neo banks with digital banks. No doubt, both banking systems offer services through smart devices.

But neo banks are actually a good alternative to brick and mortar banks. They offer banking services digitally without having any physical presence. Some of the top neo banks in India are Digibank, RazorpayX, Jupiter, etc.

By opting for their services, you can experience the true digital experience of banking services through neo banks.

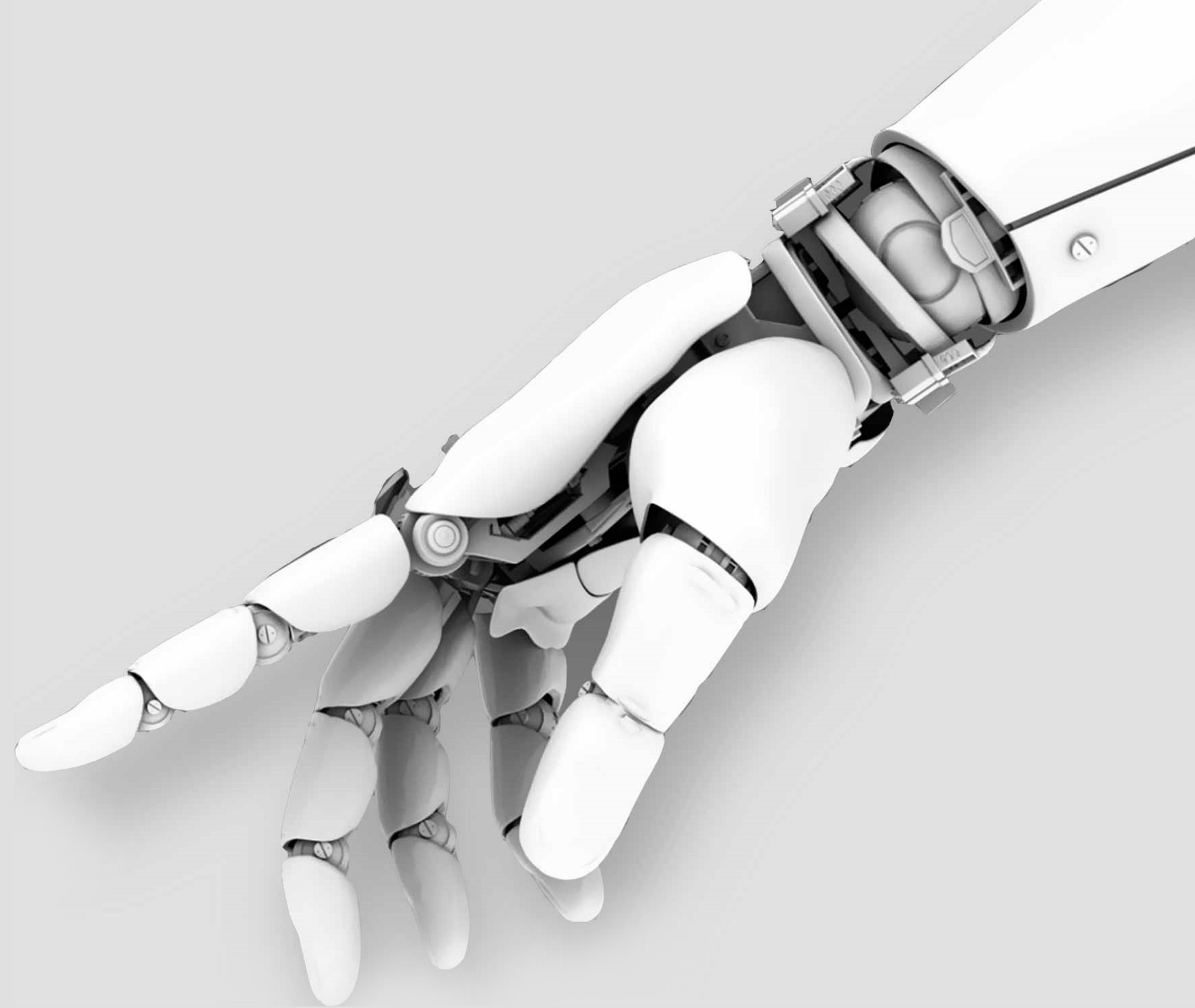
Artificial intelligence for anti money laundering and KYC compliance

As a result of globalization and emerging technologies, cross-border payments are increasing, and so are money laundering activities.

You might have heard of those money laundering scams in the news. So, banks have been working hard for anti money laundering (AML) compliance. KYC (know your customer) is an integral part of AML to verify the basic details of the customer while opening new accounts.

It is estimated that in the US, the cost of anti money laundering compliance is estimated at \$23.5 billion a year.

So, implementing artificial intelligence (AI) can lower these costs. AI can help in the digitization of large numbers of documents and data, making it easier to extract, index, and upload into an AML or KYC compliance system, which can then instantly assess risk without the need for human interaction.





Cloud computing for risk management

Risk management has always been an integral part of the banking industry. And cloud computing can play a significant role in risk management for both financial and nonfinancial risks.

The three major benefits of cloud computing for financial institutions are:

- Reduce storage costs
- Increased computing power
- Increased accessibility to information from any location

Cloud investment has expanded dramatically in recent years, according to Accenture, and it is expected to grow at a rate of roughly 15% until 2022.

With cloud computing, banks won't have to keep banking programmes and data locally. Eventually, no physical infrastructure is required. Banks are likely to save a substantial amount by eliminating the costs of acquiring, operating, and housing the essential hardware by using the cloud.

Thanks to the cloud's exponential increase in data collection and processing capability. Banks today have more information on client behaviour and more tools to make sense of it than ever before.



Personalized recommendations through artificial intelligence

A [report by Accenture](#) has revealed that when a website does not personalise the experience, over half of customers (48%) quit the purchase process, and nearly all consumers (91%) say they are more inclined to do business with firms that know them, watch out for them, and reward them. Eventually, it can impact customer loyalty too.

According to the Autonomous Next study reviewed by Business Insider Intelligence, the overall potential cost savings for banks from AI applications is predicted to be \$447 billion by 2023, with the front and middle office accounting for \$416 billion of that total.

Banks can utilize artificial intelligence to better serve their clients by giving them greater access to relevant data. A bank may use AI to assess how it responds to client questions about goods, services, and loyalty programmes.

Also, banks can use Machine learning to assure predefined replies for basic questions rather than approaching experts for help. Advisors can quickly obtain accurate information about all of the bank's services. As a result, they were able to quickly respond to client inquiries.



Open banking

Open banking, often known as open bank data, is a banking practice in which third-party financial service providers use APIs to get access to consumer banking, transaction, and other data from banks and NBFCs.

Consumers, financial institutions, and third-party service providers can all access the same network of accounts and data through open banking. Customers must tick a button adjacent to the 'terms of service' page on the app to consent to share their data. Third-party suppliers' APIs can get access to client data.

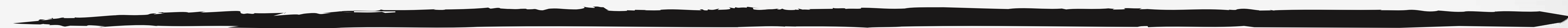
So, if we put it simply, the concept of open banking believes in decentralization. It allows major, established banks to compete with smaller, newer institutions. Eventually, large banks will have to make an effort to integrate new technology to implement new technologies. So, what if artificial intelligence is implemented in open banking?

Yes, you heard it right! Read this ebook to know more about what happens [when the power of open banking is coupled with AI](#).

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Conclusion

Retail banks will have to use accessible data to offer creative solutions and services for their consumers in order to succeed in the transformative path. They will necessitate a clear vision as well as a flexible strategy. Retail banks must provide value to their customers throughout the journey in order to increase deposits and improve customer engagement.



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23+
Years

750+
Professionals

11k+
Projects

6m+
Hours

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