



The Pros and Cons of Digitization in Banking: Safe & Convenient or Hacker's Dream

*Presented by
Alana Robinson and Stephen Sabaugh*





Pros of Digitization in Banking: Safe & Convenient

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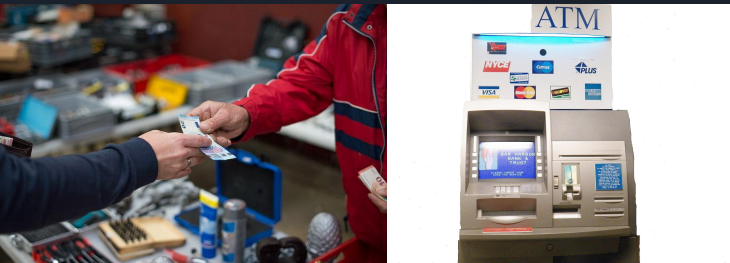
Background

Soon after the dawn of the computer age during WWII, with the first application for these massive number crunching instruments as a tool used for war, their utility became immediately recognized as an equally powerful tool for finance and banking. Computer technology has grown up alongside the banking industry. As computers became more complex, so did financial instruments and products. In other words, banking and computer technology is not new. However, web-based banking has become dominant over the past decade and has created some ethical concerns in its wake, while also bringing some much welcome convenience. These include online account management and remote deposits.

The proliferation of online banking has coincided with the ubiquity of smartphones with camera and imaging technology with the popularity of mobile check deposits. Mobile check deposit allows you to deposit checks to your bank account using your mobile device. Instead of depositing checks at the ATM, your bank's drive-through window or with a teller inside the lobby, you can add them to your account from wherever you happen to be.

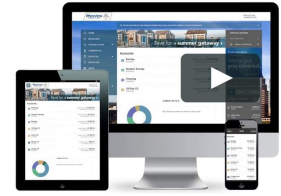
COVID-19 ACCELERATED CONSUMERS' USE OF DIGITAL BANKING

“Covid-19 accelerated some consumers’ use of digital banking, including those who were less digitally savvy, but even those users found that the tools weren’t as intimidating as they may have originally thought,” says Matthew Williamson, global vice president, financial services, for digital consultancy Mobiquity.”(Strohm, 2021).



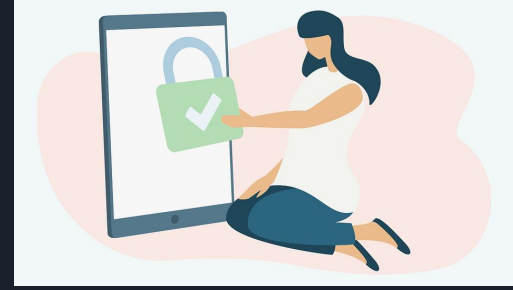
THERE'S THE CONVENIENCE

- Online banks are just as safe as brick-and-mortar banks.
- It's convenient and you have the ability to bank whenever and wherever at your convenience.
- With smartphones and computers so readily available, you're able to access your account 24/7 to take care of many banking tasks quickly.
- For example, mobile banking apps allow you to deposit checks from the comfort of anywhere. At the same time, you can check your balance, transfer funds and set up a notification to alert you if you overdraft your account—all without the need to visit a branch.



Enjoy Your New
Online Banking
Anytime
Anywhere
Any Device

THERE'S THE SECURITY



- “It’s been reported that digital payments and e-wallets actually offer more security in some cases than a physical card, giving some users even more reason to use digital banking tools.” quoted from the Forbes *5 benefits of digital banking* article. (Strohm, 2021)
- Many mobile banking apps now allow you to use biometric authentication to log in. Axos Bank’s app, for instance, provides three different biometric login options—fingerprint, voiceprint and facial recognition. Your bank may also scan for certain risks automatically. Ally Bank asks for additional verification if it spots a login from an unknown device.

THERE'S THE FEATURES

- Now most banks' mobile and online experiences are rich with features.
- For example, mobile check deposit has been the most valuable feature to those using their primary bank's mobile app because you can view statements, account balances, transfer funds and pay bills
- You can also send money within minutes to anyone in the nation through your mobile banking app





YOU SET THE CONTROL: YOU CONTROL WHEN

- Unlike banking in person, mobile banking apps and websites generally have no restrictions on when you perform banking tasks, like depositing a check or moving money from one account to another.
- Banks are continuing to advance the features offered on their digital banking platforms. Automated savings tools and push notification alerts for things like low balances or overdrafts are commonplace. In some cases, you can even activate a new debit or credit card from your app.



Cons of Digitization in Banking

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1949 IBM Computer Check Processor



1958 IBM 350 RAMAC

Federal Reserve Bank is Computerized the same
year the Defense Department does so with ARPA





Adoption

Technical difficulties abound and could make it impossible to use your mobile check deposit app if there's a glitch. This makes the more tech-hesitant depositor less likely to trust the process, thus leading to failure to adopt the technology and potentially leading to accessibility issues down the line.



Fees

- You may not be able to use mobile check deposit if the check you need to deposit is above the limit allowed by the bank. Banks can return a deposit even after you receive confirmation. Confirmation of a mobile deposit isn't a guarantee that it won't be returned. If the check bounces because the person who wrote it doesn't have enough money in their account to cover it, your mobile deposit could be reversed. And your bank could charge you a fee for the bad check(Lake & Strohm, 2022).
- Without a teller catching small issues with deposits, banks charge predatory fees for mistakes in online banking.
- Accidental re-deposits can often happen, leading to huge fees being issued by the banks. This is especially risky to the elderly and neuro-divergent (Nitzsche, 2015).



Security

- Increase the likelihood of banking scams.
- Increase the likelihood of “man-in-the-middle” attacks.
- Much more data attached to a personal identifier plus an image of your signature available online to be hacked (Most banks do require both a signature AND for “online deposit only”).
- Not keeping cleared checks in a safe place is a potential identity theft risk.



Community

- Federal compliance has a “one size fits all” regulatory scheme for all banks using online banking. Some community banks and small credit unions can not afford to overhaul their online infrastructure to meet these stringent standards and will be forced to close or be bought out by massive corporate banks (Riley, 2021).
- Less community, less interaction with real people like a teller or staff, shouldn't be exchanged for convenience. People lament the loss of community in their neighborhood, but laud their conveniences like amazon shopping and mobile bank deposits.