

Digital Banking – **Accelerating Digital Transformation in the Banking Industry**



The last decade has witnessed an immense penetration of digital-first technologies. The advances and evolution of these industries and increased use of smartphones have resulted in high demand for mobile-first technology. This has opened many doors for newer and quicker ways of banking in the digital world.

Facilitated by the black swan of the decade - the year 2020 had a revolutionary and widespread impact on the banking sector globally. Banks faced major changes and challenges as people globally either willingly or reluctantly became a part of the digital banking ecosystem. Though the mainstream was majorly using digital banking on a regular basis, all the other age groups became a part of the ecosystem. Many banks had a digital infrastructure in place, but the COVID-19 pandemic led to the greatest acceleration of digital banking in history.

This e-book will help you understand the challenges faced by banks in their digital transformation process and provide real-life business cases as how the banking industry has quickly adopted digital banking practices and solutions to achieve increased ROI.

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Banking in the Digital Era

The term digital banking consists of online and mobile banking services under one umbrella.

Online banking allows users to access banking features and services through the bank's website from a computer. Users can simply log into their account to check their balance, pay the electricity bill, and access additional banking features, like applying for a loan or credit card, through the online banking portal.

On the other hand, mobile banking is using an application to access similar banking features through mobile devices such as smartphones or tablets. Mobile banking apps generally include the frequently used banking features, like mobile check deposits, transferring funds, and bill payments. Through these mobile apps, banks also send customers alerts related to fraud detection and low balance notifications.

Mitigating the Challenges of Digitizing Banking Practices

Banking practices need an overhaul to achieve digital transformation. Apart from reinventing their old approach, banks must also invest heavily in disruptive technologies and become flag-bearers of innovation to successfully serve the current demands of modern customers. Expediated by the COVID-19 pandemic, banks cannot stay relevant for the society without a digital transformation. Though many large-scale banks globally have actively invested in digitizing their processes, traditional banks are still trying to pave their way. Here are the top 6 challenges faced by most banks during the process.



Resolving Security Concerns at a Higher Scale

The security of the IT infrastructure and all that data it contains is one of the major digital transformation challenges faced by banks. There was a time when IT security was much easier as it would only require an installation of a firewall. But now any mainstream banking environment operates on hundreds and thousands of networked computers and other connected devices. The addition of social, cloud, and mobile channels also increases the potential attacks. Panamax's digital financial solution - [MobiFin Elite](#) employs the power of 256-bit Elliptic Curve Cryptography that ensures near-zero frauds in financial transactions, thus making the most secured digital financial platform.



Digitizing Legacy Applications

Though consumers are demanding more than ever to enjoy the digitized experience, many traditional banks lack basic technological competence. Many large banking systems are built using programming languages developed over 60 years ago. These legacy systems cannot comply with today's digital environment. Thus, there is a desperate need for a technological refresher in many back-offices of huge banks.

The shift from dated to modern, digitally connected legacy banking system can be intimidating. It requires a huge investment for the applications, custom processes, integrations with external systems, security, and maintenance. Alongside, banks will have to train their employees and keep them updated to derive great value from a digitized legacy system.

The current technology offers centralized platforms for monitoring security and compliance, thus it is a safer option and more in line with the current compliance requirements. This allows banks to show that they are heavily invested in their customers' data and privacy, thus bolstering their trust and confidence.



Securing Social Media Communications

A study by the [ABA](#) shows 40% of bankers agree that customers will rely on social media for their primary mode of communication with banks in the next five years. Thus, banks must include a social media strategy to help streamline and simplify communication with their customers. However, employing social media to fast-track client communications has a few of the biggest digital banking challenges regarding security and compliance.

While securing social media channels banks must assure that all communications go through a centralized monitoring system that automatically spots violations of corporate policy and mitigates them.



Quick Adoption of Contactless Payments

The demand for contactless payments has never been as high as it has been since the COVID-19 pandemic. And along with serving the demand for contactless payments, banks must also address the challenge of high-end security of these payments. Banks that are quick at adopting contactless payments are also prioritizing the strategy formulation for card-reissuance, new customer accounts, and customer requests for issuing contactless cards.



Leverage Technologies to Accelerate Digital Transformation

The new systems in digital transformation of a bank should not only shape the front office for a better user experience, but also transform the operative structure of the back office. Investing in new tools and in training staff can be challenging but it is essential if the bank wants to automate and simplify its processes. It is crucial to make sure that digitalisation reaches every aspect of the bank.

Some of the contemporary technologies that are leading digital transformation for banks include:

- **Cloud Computing**

Since decades banks have been keeping their databases in their private servers. But, with cloud, banks can now however use information storage features available. It provides flexibility and agility offered at a much lesser cost.

- **Application Programming Interface (API) First Approach**

Through a combination of codes and specifications, APIs are employed to enable communication between systems. The aim of developing and employing API in the banking sector is to adapt their services to digital environments through greater data integration.

- **Blockchain**

The industry is witnessing the inclusion of blockchain in banking. It ensures the accuracy of information, making it easier for banks to detect potential fraud and remove risks. The blockchain technology, with its potential to reduce operational costs as well as improving efficiencies is a gamechanger for digital banking.

- **Artificial Intelligence**

The explosive growth in the amount of data available with the banks, and the growth of cloud computing and machine learning technologies has created a perfect opportunity to employ Artificial Intelligence across banking and financial services.

Artificial Intelligence is helping banks in using the large data that they own to make better and informed decisions in various banking functions like back-office operations, customer experience, marketing, product delivery risk management, and compliance.



Transitioning to a Unified and Centralized Platform

Banks have been operating with different departments having their own goals and employing disparate systems for the longest time now. For many players in the industry, this has led to stunted growth, limited scalability, and diminished customer satisfaction.

The digital transformation in banking industry demands a unified platform that centralizes data and keeps multiple systems and departments connected, thus eliminating the drawbacks of silos in banking. Information silos can also pose major risks to security and compliance for banks as there is a lack of cooperation and consistency in corporate policymaking. The heads of various departments of banks must work together to implement integrated solutions that keep everyone in the loop.

Walking an Extra Mile to Meet Customer Expectations in Banking



Banks have a unique relationship with the society as they offer a frontline, essential service and at the same time, they are also corporate institutions with huge marketing and profit-making powers. Earlier, banks only had a sales-led approach.

However, in the digital world, the importance of meeting customer expectations is crucial for banks as satisfaction ratings are as important as revenue forecasts. This means banks must adopt a customer-centric approach. Banks should focus on resolving pain points, space optimization, designing innovative products or services that add value, and offer a personalized customer experience. Personalization in digital banking experience can be through seamless omni-channel experience where a user can transition from one device to other while availing crucial banking services like making transactions and completing an e-KYC process. As the customer demands have evolved and only risen in the digital era, banks must provide speed and simplicity, real-time assistance or AI-enabled assistance and WhatsApp banking to users availing digital services.

Bearing in mind the example of Citizens Bank, as the pandemic led to physical space and staffing restrictions, the bank digitized simple tasks in order to transform branches into advice centers. Specifically trained advisors were then given a space to provide face-to-face guidance on more complex processes to customers that cannot be self-served through digital platforms, like buying a house or starting a business.

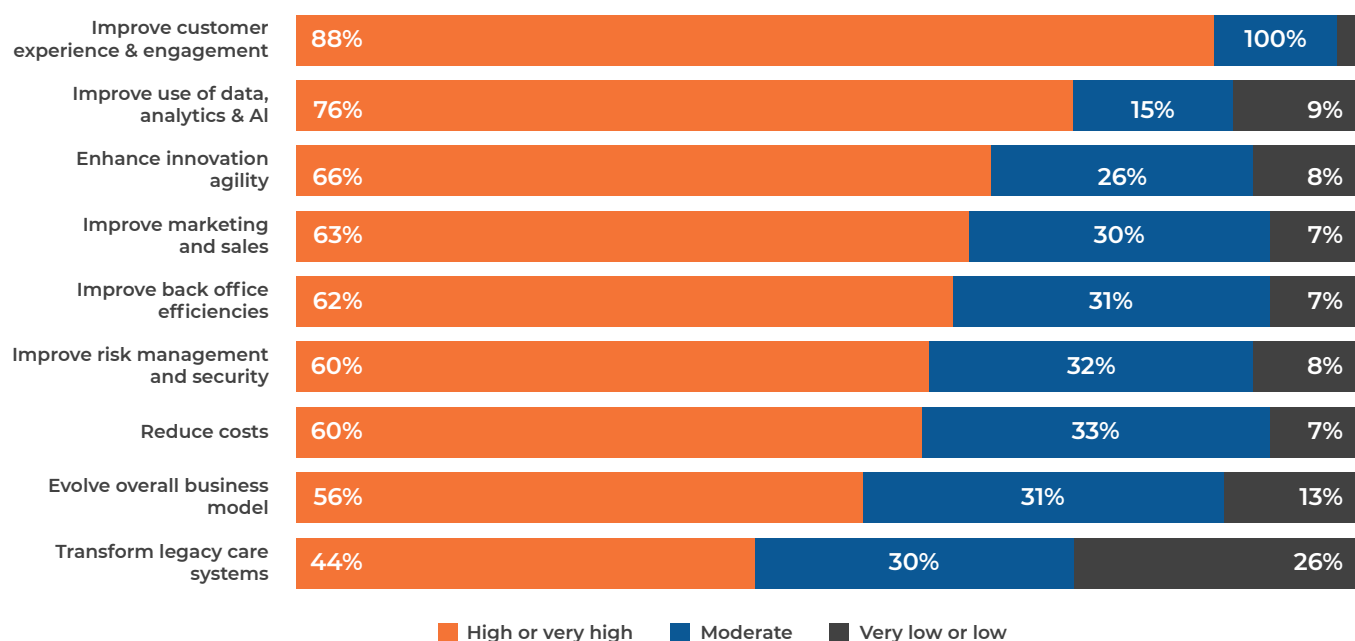
Successful Implementation of Digital Transformation by Banks - Cases in Point

As per research on financial institutions, over **88% of banks** consider improving user experience and engagement through digital transformation as a top priority.



Importance of alternative digital transformation strategies

On a scale of 1-5 (where 1 is very low and 5 is very high), how IMPORTANT are these digital transformation strategies to your organization in 2021?



SOURCE: Digital Banking Report Research Sept. 2020 The Financial Brand

Along with a profound shift in leadership and organizational culture, the digital transformation of a bank also requires an understanding of the components most in need of digitization. During the strategic and planning process, each bank must prioritize transformation efforts based on their own business goals and objectives. Here are the top 3 instances where banks have successfully digitized their processes and are leading the innovation in the industry.



TD Bank: Rapid Upgrades in Current Banking Technology

TD Bank energetically picked up on the early warning signs of the COVID-19 pandemic to drive digital transformation. It rapidly upgraded its digital banking platforms and focused on expanding its current technology instead of hastily adopting new applications.

TD bank was relatively better at handling the digital high demand compared to other players by tripling its capacity for mobile deposits in preparation for possible branch closures. The bank promptly rolled out a virtual assistant to answer customer questions. The assistant was successful in conducting at least 75,000 customer sessions in its first week whilst allowing support staff to focus on more serious concerns.

- **Key Learning: Employ Automated Customer Support Technology**

Digital transformation can help in lightening the support workload for employees by adopting a virtual assistant allowing banks to utilize human resources for other more crucial tasks.

Self-service support options enable customers to easily find answers to their questions without putting in a support ticket or getting in touch with the available customer service provider. This lessens frustration for consumers as time spent on hold is reduced and they can find answers to their questions at any hour.



BBVA: DIY Transactions

BBVA now offers do-it-yourself (DIY) options for [94% of its products and services](#), taking the self-service aspect a step further. Thus, consumers can avail most of their banking services without visiting a physical branch.

Employees at BBVA can now focus more on financial consulting and advising customers on new products. Self-serve options increase efficiency as customers do not need to wait in line and can perform tasks faster. This transition allowed BBVA to reduce average cost-per-transaction by [31%](#).

- **Key Learning: Consistent Experience Across Channels**

Banks must focus on building mobile apps and websites, so customers have a similar experience across all digital offerings. With design and navigation setups alike across channels, it is easier for customers to learn and use new applications.

BBVA coordinates development across countries to ensure a unified experience across the globe. The bank believes that using the same framework for all their offerings and locations results in a shorter time-to-market while launching and propagating their new products and services.



Bank of America: Providing an Amalgamated Dashboard

Bank of America enhanced the value of its mobile application for customers by making it a single point of access for all their digital banking needs. The application consists of a single dashboard that allows customers to view all products and services offered by Bank of America at once.

The dashboard lets customers view products and services including:

- Checking and savings accounts
- Investment and retirement accounts
- Availing Mortgage services
- Bill-payment services
- Peer-to-peer (P2P) payments
- Budgeting and planning services

In the second quarter of 2020, [Bank of America](#) witnessed two billion logins, 133 million digital bill payments, and over 660,000 digitally booked appointments through its mobile application.

- **Key Learning: Develop One-Stop-Shop Banking Application**

Persuade your customers to use your application by making it a one-stop-shop for all their banking needs. Having all the banking services accessible through one application and a single dashboard is more convenient than having to download separate apps for each type of product. It also pushes customers to explore their capability of availing banking services digitally in the future.

Go Digital with Panamax's Digital Banking Suite

The evolution of digital banking is the reality of the industry and it appears that there is no turning back. Today, it is not enough for banks to create an attractive banking application. It requires the integration of user-centricity in the entire banking ecosystem including every product, every aspect of the bank, every department, as well as every employee. In the digital world, this is the 'new normal' of communicating with the world and showcasing that the bank cares about its customers and receives their trust and loyalty in exchange.

Banking Suite by Panamax facilitates banks to deliver a wholesome digital banking experience with innovative and futuristic features and end-to-end solutions that enhance operational efficiencies. Through Panamax's banking suite offers digital-first services like



Core Banking System

Panamax's digital Core Banking System efficiently and seamlessly executes common banking transactions like credit processing, loans, standing instructions, deposits and much more.



Agency Banking

Agency Banking solution allows banks to reach out to their remote customers without spending extensively on physical branches by creating a well-established agent network and serve rural and unbanked population.



Omni-Channel Banking

Panamax's Omni-Channel Banking provides multiple transaction channels for customers, and seamless interaction and movement between these channels.



Mobile and Internet Banking

Mobile and Internet Banking solution enables anytime transactions via mobile wallets, mobile applications, digital payment modes or UPI. Customers can avail all their banking needs from anywhere without visiting a branch or customer support assistance.



WhatsApp Banking

Banks can now interact with users as easily as chatting with a friend through WhatsApp messaging platform round the clock. Through our WhatsApp banking solution banks can deliver exceptional customer engagement, quick services and maintain high-end security.



National Payment Switch

In the digital era, collaboration is the key. With Panamax's National Payment Switch, banks can integrate with other banks, MNOs, Fintech companies, billers/aggregators and other digital ecosystem players to provide a seamless customer experience and increase uptake of digital financial services.



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