



Role of digitization in banking

Description

What is meant by digitization :-

- Digitization is the process of converting data into digital format. Digitalization means the adoption of technology. But these two words are being used interchangeably.

Role of digitization in banking :-

- Banks are not just a part of our lives, but have a significant role in our daily lives. For many, day will not end without at least a single financial transaction. Thus banks always try to adopt latest technologies to enhance customer experience.
- Digitization is not an option for banking industry, rather it is inevitable because every industry is being digitized and banking sector is no exception.
- Mobile banking is increasing at a fast pace more than online banking.

• Advantages of digitization in banking :-

- Improved customer experience.
- Reduction of costs for banks and customers as well by using ATMs, cashless transactions etc.
- With more digital data available with banks, they can take data-driven dynamic decisions by using digital analytics. This benefits both customers and banks.
- Technology is non-discriminatory. Everyone will be treated same at banks.
- Number of customers will be increased for banks because of the increased convenience of banking.
- Digitalization reduces human error.
- Need of handling large amounts of cash will be reduced.
- Opening and maintaining bank accounts are never been this easier.
- Repetitive tasks will be eliminated by automation.
- Rural and urban gap will be eliminated.



- With the increasing cashless transactions, fake currency threat will be reduced.
- Productivity will be increased.

● **Disadvantages of digitization in banking :-**

- Digitalization reduces the effort of employees and hence results in loss of jobs.
- Some bank branches may cease to exist with the increasing use of online banking.
- Banks will be more vulnerable to cyber attacks.
- Privacy may have to be compromised. No one can hide crores of rupees in banks and just act middle class. :P
- These disadvantages are just temporary. Loss of jobs will be compensated through creation of new jobs such as cyber security, research team for innovation in technology etc.
- Itâ€™s not that banks are going to have less work, but itâ€™s just that the role of retail banking sector changes.

Conclusion :-

With the increasing usage of smartphones, digitization of banking sector is inevitable to catch up the increasing expectations of the world. It indeed reduced human errors and increased convenience. But the fact that cyber threats are on the rise, banks must be very careful and should be prepared to handle cyber attacks.

Afterwords :- What is your stance on this topic? Express your thoughts in the comment section below.

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