

Optimization of the Customer Services of Digital Banking by Overcoming the Encountered Risk Factors

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Abstract: Digital banking often gets confused with mobile banking and online banking, and even omni channel banking. True, all these involve digital applications in one form or another. But what constitutes "digital banking" has yet to gain overwhelming response from the public .The banking sector has become competitive over the years due to the digitization of banks. After thorough analysis over the pros and cons, it will not be wise to depend only on one method of banking; be it the virtual one or the traditional one. The best approach would be to break up your banking needs between online and in-store services to enjoy the benefits of both. With online banking one can have access 24/7 so as to check the account details periodically or on a regular basis. We can look at every transaction since the last logged in and if we spot anomalies if any we can directly contact the concerned bank immediately. Keeping the advantages aside at the same time online banking does come with certain risks. Just as we are hearing frequently of people being robbed at ATMs, having their cards cloned, accounts being hacked so on and so forth,online accounts are also at a point of vulnerability. Hence we propose to present a paper on various pivotal issues regarding digital banking. Our aim is to address various risk factors which we are subjected to encounter during our transactions. Through this paper we have suggested an approach which blurs the line between electronic and brick-and-mortar banking which enables us to minimize the risks and optimize the utilization of the available services more effectively.

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I. Introduction

Banks today operate in a highly globalized, liberalized, privatized and a competitive environment. In order to survive in this environment banks have to use Information Technology. Indian banking industry has witnessed a tremendous developments due to sweeping changes that are taking place in the information technology. Digital banking has emerged from such an innovative development. Digital banking is the popular technology used by banks which has been described in many ways. In simple words it is the banking service provided through electronic channels and the customer can access the data with in no time and geographical limitation. Automated Teller Machine (ATM) was the first well-known machine to provide electronic access to customers and later on in the same line Mobile banking & Internet banking facilities were offered by banks. Under the edge of Electronic Banking following services are offered by Indian Banks

- a. Accessing Accounts (Mini Statement / Balance Enquiry)
- b. Paying Bills
- c. Cheque book request / status of Cheque payment
- d.Mobile recharging
- e. Fund Transfer

The objective of the present paper is to study and analyze the progress made by Indian banking industry in adoption of technology. The paper also highlights the challenges faced by Indian banks in adoption of technology and recommendations are made to tackle these challenges. The immediate impact of the Demonetization policy of Government of India on financial transactions by the people also discussed briefly. The paper concludes that in years to come e-banking will not only be acceptable mode of banking but preferred mode of banking.

Modern technology is seen as a panacea for most of the ills that the banking sector faces today. From last two decades E-commerce has shown tremendous growth in Indian service sector and banking sector is no exception to it where it is known as E-banking. Even at present, India is a relative unbanked country as the credit-to-GDP ratio is one of the lowest in the developing economies. So banks are facing the dual challenge of increasing penetration and high growth trajectory. The banking industry can kill two birds with one stone that is with help of technology. Tremendous progress took place in the field of technology which has reduced the

world to a global village and it has brought remarkable changes in the banking industry. Branch banking in the brick and mortar mode has been transformed into click and order channel mode.

2.Literature Review: Source Internet

3.The Impact Of Demonitisation Effected From November 8th 2016:

The demonetization drive has been hailed as a masterstroke by the Government of India. But the implementation process has been not so smooth for the common man in a far flung rural village. The banks have been working to make sure that as much as possible they move the currency to the smaller areas and to as many set of customers as possible. In reality it is very difficult to manage the logistics. As far as cash availability is concerned majority of the population of the country still should wait a little bit more for the supply to really come off the 500 denominations as once those denomination notes come in the ATM activity will increase much more but specifically talking of the far flung areas since you raised that, in the last few days we have sent money to the business correspondents as well. More than 5000 of our banking correspondents and their micro ATMs have received money by this time. Further a common concern for the layman is that there is not enough currency circulation. This is the hot topic and a challenge to the government of India to address the issue immediately. Though there is enough currency in the country but yes we have to keep two things in mind one is that the movement of currency does involve its own logistical challenges, security, movement and so on and so forth.

4. Move Towards Optimization Of Banking Services:

Banks are increasingly under pressure to do more service with less effort. As most of the customers are tuning their attitudes towards go for online transactions to save the waiting time in queues inside the walls of the banks and also their travel time towards banks. This type of banking and financial pressures have forced many banks to trim the number of branch offices, in some cases complete absence in a particular town altogether. Of course the closing of branches may ease some of the financial strain however it costs the banks in losing business and customer loyalty which once lost is difficult if not impossible to regain. So it is high time to optimize the services of banks in the branches they choose to keep open, providing them with tools and technologies to increase their overall productivity and provide better service to their customers.

What's Driving Branch Optimization

The financial crisis in 2007-2008 and resulting recession hit the financial sector especially hard, as layoffs impacted consumers' spending power and ability to meet their fiduciary obligations. An estimated 10,000 bank branches have closed since 2008. The economy has improved, but the state of the bank branch hasn't—closings are still occurring at a rapid pace, with 869 branches shutting their doors in the first half of 2017 alone. Remaining branches, therefore, must work harder to maintain a level of service customers have come to expect from their financial services providers, especially as more are turning to online services to perform many banking transactions. In fact, today 46 percent of banking customers are eschewing the branch for online banking services a 20 percent increase since 2012.

But not only do branches need to work harder, they also need to work smarter, with a better understanding of what their customers need. Branches must offer the services that meet the needs of the demographic, rural or suburban versus urban locations or customers visiting a standalone office versus in-store branches, for example. Bank branches in urban locations likely will see fewer mortgage applications than those in the suburbs, but perhaps more requests for small-business loans. Likewise, in-store branches—such as those located in grocery stores or big box retailers—tend to see traffic for quick services such as check-cashing, deposits or answering general questions. As such, the in-store branches should staff more tellers or general-purpose employees than those with specific functions, such as loan officers. Having the right staff and the right technology mix to handle customer needs is paramount to ensuring branches stay relevant to their customer base.

Branch offices also must improve their back-office functionality to maintain both a high level of productivity and a high level of customer satisfaction. The technologies available to financial institutions to assist in both areas big data analytics, machine learning and AI, automation and others are bringing a new level of functionality to the branch office to move beyond the transaction to provide a value-added, multichannel banking experience that benefits both the organization and its customers.

5. Effect Of Optimization : Optimization at all levels must occur at the branch from the structure of the staff to the usage of technology which plays a role in getting a balance of efficiency and customer satisfaction. Banks have started to recognize this and are making technology as a keystone of their overall strategy. Indeed of the five top priorities for banks in 2018 namely 1.Enhance the digital experience for the customer 2.Enhance data analysis capabilities 3. Exploring ways to reduce operating costs 4.Automating core business processes.

6. BENEFITS OF OPTIMIZATION : Optimizing a branch office has many benefits each with its own impact on the bottom line. Some of them are :

Extensive customer interaction with Bank: Optimizing the layout and technology available in the branch office can increase the type and quality of interaction between bank and customer. Being able to provide answers to questions instantly and enabling the customer to conduct business with minimal or no delay are important elements in today's banking environment, and can pave the way to deeper, more meaningful interactions.

Streamline operations: Bringing ATM centres to the door steps of the customers. Equipping all branch employees with tablets can help decrease wait times for customers to conduct transactions. Likewise, kiosks can provide any number of services, from activating a debit card to help customers choose the best loan option or schedule an appointment to visit their safety deposit box. However, should customers need help, a branch employee is available to manage the process or even perform the task on the customer's behalf. The time saved with this hybrid approach can enable bank personnel to focus on more revenue-generating tasks as well as customer outreach and marketing.

Improve the agility and ability of back-office functions: The advent of advanced technologies such as artificial intelligence (AI) and machine learning (ML) are playing a vital role in making back-office functionality smarter and more efficient, helping banks achieve new levels of security, meet compliance regulations and adopt new ways of doing business. These emerging technologies can be used for automation of tasks such as counting change or in chatbots to answer customer questions in contact center environments, freeing employees to focus on more engaging interactions.

Technology Integration : As customer behaviors and needs continue to evolve, new technologies will further push the boundaries of the customer experience. To stay competitive the bank branches must customize their networks for the technologies of tomorrow. Artificial intelligence and machine learning also are being used by a growing number of banks and financial services organizations for more personalized customer interactions and marketing campaigns. The branch will continue to play a critical role in the banking sector, even as technology enables any transaction to be conducted online. As such, banks and financial services organization must ensure their branches are optimized with the tools and technologies to increase their overall productivity and provide superior service to their customers..

7. BENEFITS OF ONLINE BANKING:

The digitization of banking has brought the joy of luxurious banking from anywhere, anytime. It has grace our lives with the following advantages:

1. **Banking made easier:** If you have an internet connection, you can bank from anywhere anytime. Except when the website is down for maintenance, the online services are available round the clock throughout the year. Banking is made easier, faster and more efficient through the internet. Consumers can always keep a check on their account balances through this mode of banking. Even if you need to change your contact details or your mailing address then you can do it through few clicks, making it effortless.
2. **High interest rates:** When a bank is going full online with its services, then the reduction in infrastructure and overhead cost leads to an increase in the interest rates on your savings account and also lower loan and mortgage rates.
3. **Advanced websites:** The banks that have chosen to go online with their services (which comprises of all the banks- national and international, public and private) have well-developed sturdy services with added features that includes financial planning tools, loan calculators, premium calculators, tools for analyzing investments, budgeting and forecasting tools, tax preparation and tax paying platforms online.
4. **Mobility of services:** Virtual banking is now available on mobile. Banks are developing responsive mobile websites so that it can be easily accessed via smartphones or tabs on the go. Money can be transferred and bills can be paid through these mobile websites.
5. **Eco-friendly:** This can be categorized as the environment-friendly initiative. Digital banking saves paper discarding the need for office space, construction, and vehicular movement. Thus giving their customers a pollution free experience.

8. POSSIBLE RISKS ENCOUNTERED IN TECHNOLOGY BASED BANKING:

The popularity of online banking is good news not only for customers and financial institutions but also for cybercriminals, who are anxious in targeting online banking customers. Cybercriminals have figured out how to convince customers to surrender their usernames, passwords and other types of personal information through phishing requests or via malware. In fact, there has been a fundamental shift in the way online crime takes place. It is happening on an immense scale that was simply not possible just a few years ago. This property and asset theft is being undertaken by skilled, organized, professional groups of people who use increasingly sophisticated techniques and collaborate to target organizations. The threat landscape continues to evolve at a rapid rate that threatens to outpace today's protection approaches and strategies. Looking at digital security in the context of the banking industry, it is clear that banks are currently struggling to find the optimal balance between customer service excellence and fraud prevention.

Simply increasing the amount of conventional protection is not the answer. This is because traditional approaches, ranging from heightened authentication requirements to complicated and frustrating verification processes, not only fail to effectively prevent fraud but can actually negatively impact the bank's business. Instead, banks should focus on creating better systems and techniques to collect and analyze internal and external data, develop more meaningful algorithms and profiles, execute penetration testing against current strategies, detect changes in transaction patterns and develop more effective solutions. This approach could be thought of as collective defense.

As banks successfully transform themselves, we will ultimately experience the modernization of information security by the banking industry. One important element of this modernization will be a shift in banks' threat protection operations. Rather than concentrating only on what happened in the past, the emphasis will move to understanding what is likely to occur in the future.

9. THE RECOMMENDATIONS FOR FRAUD PREVENTION AND HOW TO GET A BETTER GRIP ON SECURITY:

The digital journey for the risk function needs to start now if the bank is to realise its digital banking vision at the speed required. Online banking is nice and convenient. But it does come with certain risks. Just as you hear of people being robbed at ATMs, or having their cards cloned, so online accounts are also a point of vulnerability. On the customer side here are some suggested tips to follow while doing financial transactions digitally to minimize the expected or unexpected risk factors.

❖ Choose an account with two factor authentication

Always choose a bank account that offers some form of two factor authentication for online banking. These days many banks offer a small device that can be used to generate a unique code each time you log in. This code is only valid for a very short period of time and is required in addition to your login credentials in order to gain access to your online account.

❖ Create a strong password

Its quite a natural phenomenon that your bank requires a user-generated password in order to access online accounts make sure you have created a strong password. The best way to achieve this is by making it long and a mix of upper and lower case letters, numbers, and special characters. Avoid creating a password that contain your name, initials, or your date of birth. Change your password as frequently as possible.

When setting up online banking, if your bank asks you to provide answers to some standard security questions remember that the answer you give doesn't have to be the real one.

❖ Secure your computer and keep it up-to-date

Security software is essential these days regardless of what you use your computer for. As a minimum, make sure you have a firewall turned on and are running antivirus software. This will ensure you are protected from Trojans, keyloggers and other forms of malware that could be used to gain access to your financial data. You'll also want to keep your operating system and other software up-to-date to ensure that there are no security holes present.

❖ Avoid clicking through emails

If you receive an email that appears to be from your bank that asks for your login details then treat it with suspicion as it may well be a phishing attempt to trick you into handing your credentials over. Likewise, be aware of links in emails that appear to be from your bank – this is a trick often employed by the bad guys to get you onto a website that looks like your bank. When you log in to 'your account' they will steal your username and password and, ultimately, your cash. It is always safer to access your online bank account by typing the address into your browser directly. Also, be aware of unsolicited phone calls that purport to be from your bank.

While your financial institution may require you to answer a security question, they should never ask for passwords or PINs (they may ask for certain letters or numbers from them, but never the whole thing). If in doubt, do not be afraid to hang up and then call your bank back via a telephone number that you have independently confirmed as being valid.

❖ **Access your accounts from a secure location**

It's always best practice to connect to your bank using computers and networks you know and trust. But if you need to access your bank online from remote locations you might want to set up a VPN (Virtual Private Network) so that you can establish an encrypted connection to your home or work network and access your bank from there.

❖ **Always log out when you are done**

It is good practice to always log out of your online banking session when you have finished your business. This will lessen the chances of falling prey to session hijacking and cross-site scripting exploits.

❖ **Set up account notifications (if available)**

Some banks offer a facility for customers to set up SMS or email notifications to alert them to certain activities on their account. For example if a withdrawal matches or exceeds a specified amount or the account balance dips below a certain point then a message will be sent. Such alerts could give quick notice of suspicious activity on your account.

❖ **Monitor your accounts regularly**

It should go without saying that monitoring the your bank statement each month is good practice as any unauthorised transactions will be sure to appear there.

The above tips should go a long way to ensuring that you enjoy the advantages offered by online banking without experiencing any of the pitfalls.

II. Conclusion

Through the transformation and modernization of banking industry security fraud will be reduced customer service and satisfaction will improve and banks will be able to grow and pursue their business goals with both confidence and agility.

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