

EMPLOYMENT IN THE BANKING SECTOR AND THE INFLUENCE OF DIGITAL TRANSFORMATION

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ABSTRACT

The digitalization of the payment system has caused a fundamental shift in our financial system. This has evolved through time to become newer forms of electronic transactions and payments through an endless process of reshaping. However, the system's efforts to achieve this goal have not yielded an outcome that is at all satisfying, with broad opposition toward this entire modernized system likely being a contributing factor. This essay would delve into the many forms of electronic payments and transactions. The workforce in both public and private sector banks is in uproar over the effects of digitization on the banking industry. This study's objective is to determine whether banks' digital transformation improves opportunities in the banking industry or reduces bank employment among the banking workforce. Researchers employ secondary data from a variety of publications, such as books, blogs, journals, etc., to accomplish the study's goal.

Keywords: *Employment, Digitalization, Trend, Electronic Transactions.*

Introduction

Digitalization is the new advancement for the upliftment of the banking sector. Payments systems have a large impact on financial systems through digitalization. The internet aided many transformations in the digital ways of operations where banks were once back in business, as most banking operations, which used to be voucher posting, deposit, and withdrawal of money, have become easier for customers to easily operate from anywhere and everywhere 24 *7 a day, as they are also available for customers even on bank holidays. Most operations are replaced by machinery like ATMs, online payment methods like bank transfers, Internet banking, UPI, Paytm, Google Pay, or Phone Pay, deposit machines, and passbook printing, and it has impacted on employment rates in the banking sector.

The banking landscape in India is being significantly shaped by digitalization. The way that banks engage with their clients is drastically altering because of digital technologies. The financial services sector has developed rapidly in the last several years, moving from traditional brick-and-mortar operations to online bill payment and deposit services to the rapidly developing realm of mobile banking.

The widespread use of 3G and 4G networks, as well as the availability of smartphones, has a direct impact on digital transformation. The Indian financial service industry has seen significant shift as a result of digital banking. Customers have increased their use of digital banking services as a result of government efforts such as the Aadhaar-enabled Unique Identification Number system, "Digital India," "Make in India," the Financial Inclusion mission (Pradhan Mantri Jan Dhan Yojana), and demonetization.

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In the business operations of a bank or other financial organization, banking ethics refers to morality or a moral code of conduct. The success, continuation, and existence of the banking or financial services industry depend on its commitment to ethics.

Objectives

The main objectives of the study are:

- To explore the digitalization of the banking sector
- To analyse new technology after digital transformation in banking sector.

Overview of Indian Banking Sector after Digital Transformation

Financial companies now have access to information about what customers genuinely desire because to digital transformation. Instead of making assumptions, they can tailor their financial services and offers to the needs of the customer. By offering tailored services, new cutting-edge technical advancements enable banks to increase consumer engagement. A further recent development in the banking industry is the rise of e-banking, which is essential in providing customers with better services. A few of the new ways that have supplanted the conventional methods of completing transactions are mobile banking, internet banking, and e-wallets. The integration of digital technology into all functions of the bank, which optimizes operations and improves value delivery to clients, is known as digital transformation in banking.

Growth of Digitalization in Banking Sector

The bank's capacity to compete in a market that is becoming more congested could be enhanced by a successful digital transformation. The "omni-channel" strategy has been incorporated into the majority of banks' business plans. The simplicity, originality, accessibility, and ease of use of platforms offered by fintech companies have been recognized by banks. Offering the same services to customers over all digital and physical channels is what omnichannel is all about. Among the difficulties faced by digital platforms are those related to client retention, regulatory compliance, technical risk, heightened competitiveness, cyber-attacks, the lack of IT staff, and system outages?

To assure the expansion of the banking industry, the key focus is on customer service customization. Digital banking software has the ability to customize using Artificial Intelligence (AI) and Machine Learning (ML) techniques. Banks can now provide their customers useful financial solutions, interactive tools, and instructional resources to improve their experience. A Chatbot for client engagement or services, Robo Advisory Services to assess a customer's financial health, Predictive Analytics, Cyber Security, Credit Scoring for direct lending to customers, etc. are just a few of the functions that banks are employing AI to make easier.

Digitization reduces human error, which boosts customer loyalty. Banking is accessible online around-the-clock. It has also become easier to manage large sums of money. Consumers have benefited from digitalization as well because it has made cashless transactions possible. By offering flexibility and quick turnaround to produce quicker solutions and effective process implementation at a low investment compared to infrastructural investments to achieve identical results, artificial intelligence (AI) and low-code play a vital part in the transformation of banking. Banks can manage massive amounts of data at lightning-fast speeds in order to gain insightful information from it thanks to AI. With the help of features like AI bots, digital payment advisors, and biometric fraud detection systems, a larger consumer base may benefit from higher-quality services. Financial organizations can now better understand what customers genuinely desire thanks to digital transformation. Instead of relying solely on speculation, they can tailor their financial services and offers to the needs of their clients. With the help of individualized offers, new creative technical advances enable banks to increase client engagement.

Fintech and Financial Services

A digital transformation in banking satisfies the demands for regulatory compliance, security, and resilience while enabling the speed and innovation of the cloud from any location. Personal loans, small company credit, and mortgages are examples of niche market lending that is significantly impacted by a booming Fintech service in the banking industry. Through digitalization and technological innovation, the paradigm of traditional banking is radically changing. These days, bank mobile apps serve as a replacement for traditional sales executives in the bank and offer instant customer support. Collaboration with businesses that specialised in offering digital financial services, such as Fintechs and NeoBanks, will ensure that banks quickly adopt new technologies. This will contribute to the growth of a digital ecosystem that is connected, sustainable, and future-proof.

Blockchain and Crypto Currency

Crypto currencies like Bitcoin and Ethereum have garnered media attention frequently over the past several years. Rapid price spikes and speculative activity brought these digital currencies into the spotlight. The distributed ledger technology, which stands for the fundamental tenet of the blockchain—the organisation of data records into arrays with references to their individual antecedents and distribution to all network members—is frequently brought up in this regard. Thus, this technology has a bright future in business and has many potential applications, not least of which is in the financial sector.

With the introduction of new technologies like Application Programming Interfaces (API), Big Data Analytics, Biometrics, Contactless, Distributed Ledger Technology (DLT), Cloud Computing, Internet of Things (IoT), Central Bank Digital Currency (CBDC), and Digital Wallets, financial services have undergone a digital transformation that makes it easier for people to access financial services. Bitcoin, Ether, and other forms of crypto currency are widely seen as an alternative to traditional money or fiat money issued by a centralized banking system because of their high degree of decentralization and immutability. In the contemporary corporate environment, it is a creative and disruptive digital financial transaction system.

Improved Use of Data

The world is becoming more digital, new methods of data collection and analysis offer the never-before-seen prospect of anticipating customers' wants. A whole different set of data, including information on lifestyle, psychographic traits, previous usage of financial products, purchasing patterns, and social media activity, will be used in place of simply demographic information and a risk profile. The new ability to combine data and analyse it in a focused way will lead to altered marketing strategies as well as improved customer relations. Data is the king of the new era for best performance, as the banking sector has used a new business model for profitability of the bank's work performance through data insights and utilised them into customized demands of the services provided by banks for best customer satisfaction.

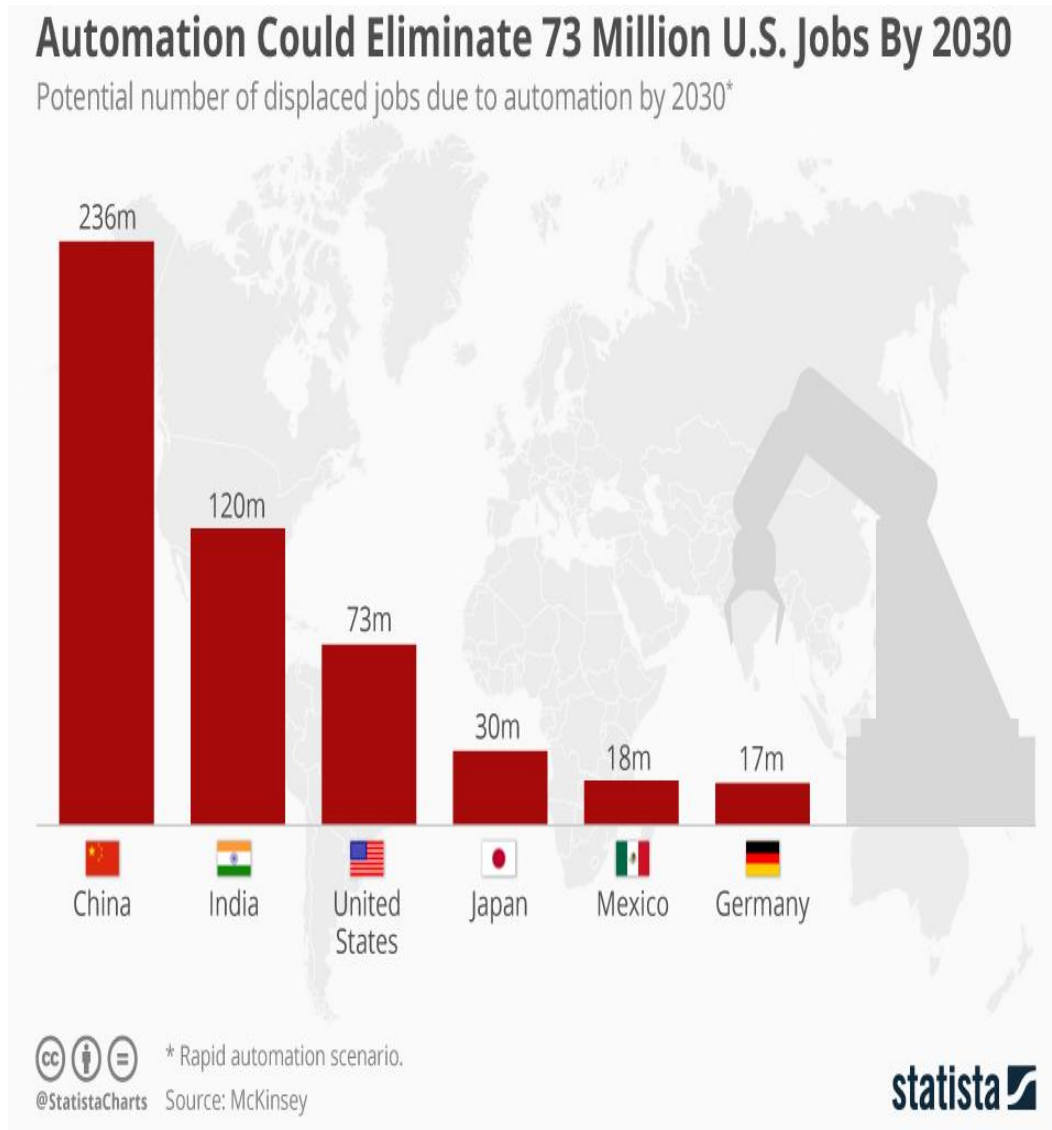
Employment Rate in Banking Sector

Technology is to blame for the disappearance of several job titles throughout history. The goal of technology is to improve human existence in many ways, such as making extremely complex mathematical calculations, waking up to your favourite song, and making remote contacts, to mention a few. You only see technology advancements that increase our level of comfort. The banking sector is no exception, but the careers of bankers will be significantly impacted by digitization. Online banking applications, data encryption software, virtual assistants, KYC system software, website optimization, etc. are a few instances of digital banking transformation. This raises a ton of problems about digitization in contemporary banks and other commercial institutions.

The banking sector, which along with the information technology sector was a major employer in the past two decades, is at a turning point where technology is boosting efficiency by working faster and more effectively than humans could. Traditional tasks including updating passbooks, cash deposits, confirming know-your-customer information, and salary uploads are also going digital, which is leading to an increase in employment losses. By integrating robotics to centralize processes and enable quicker turnarounds in areas like loan processing and marketing financial goods to consumers, banks like Axis Bank, ICICI Bank, and HDFC Bank are pushing the boundaries of technology. The requirement for a manual worker at the back end is being reduced as a result.

According to a recent estimate from the McKinsey Global Institute, the rapid development of AI and robots may result in the loss of 73 million American jobs by 2030. By 2030, midpoint automation might cost the United States 39 million jobs, while fast automation could cost 73 million. Despite the possible losses, 20 million displaced individuals might be placed in positions that are similar but require somewhat different skills. Still, a sizable portion would require total retraining in the United States and many other industrialized nations.

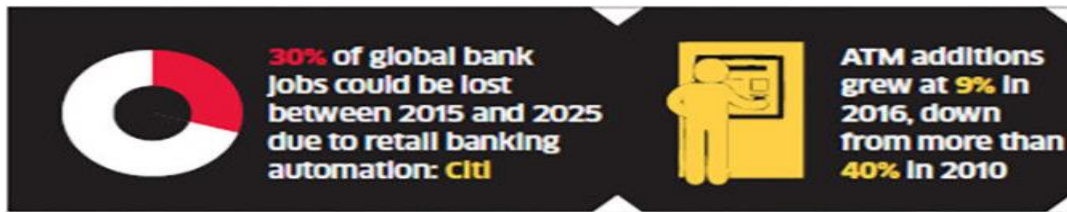
According to McKinsey, over half of Japan's workforce as well as a third of the American workforce in 2030 may require new training. Rapid automation may also result in the loss of 236 and 120 million jobs in China and India, respectively, by 2030. In Japan, 30 million dollars would be lost in the worst-case situation. By that time, Mexico may have 18 million displaced workers, compared to 17 million in Germany. Fast food workers and industrial operators are two examples of the physical and predictable jobs that are most at risk from automation.



Over the past few years, the Indian banking sector has slowly shifted from being driven by people to being run by robots. The same technological advancement that has made banking simpler has also caused a delay in bank personnel hiring. Although there have been hiring's, there is a lot more emphasis on front end talent as the nature of the skill sets required is changing.

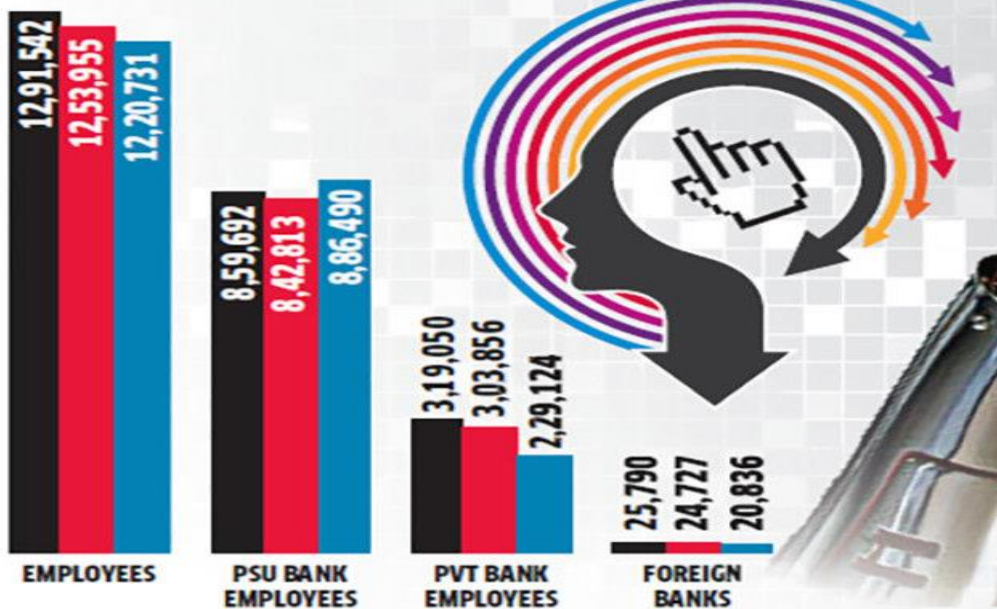
At HDFC Bank, the most valuable lender in the nation and the most expensive among top lenders, a harbinger of things to come is being observed. Despite still being the gold standard of Indian banking, the bank has been limiting branch expansion and recruiting as well as total workforce reduction. For two consecutive quarters, HDFC's personnel size decreased. When compared to the December 2016 quarter, the number of employees decreased by 6,096, or 7%, to 84,325 in the March 2017 quarter. At the same time, it increased the number of ATMs in its system from 6,000 to 12,260 and its branch network from 4,520 to 4,715 branches.

Even before the banking industry was impacted by the digital wave, the number of positions at banks began to fall. The number of persons employed by Indian banks at the end of March 2015 was close to 13 lakh, with state-run banks alone employing close to 8.6 lakh of those, while private sector banks employed 3.2 lakh, a meager increase of 3% over March 2014, according to figures from the RBI.



Jobs At Indian Banks

■ March 2015 ■ March 2014 ■ March 2013



Threatened Jobs

Digitalization has made it possible to conduct banking operations including money transfers, account opening, bill payment, account statement, ATM card, debit card, credit card, check book, loan information, etc. without going to a bank branch. The impact of digitization on the banking industry has the potential to diminish human intervention and eliminate the majority of jobs. Due to the fact that routine banking tasks like updating passbooks, making cash deposits, checking client information, and uploading salaries can be completed without relying on branch staff, this makes the bank's personnel fearful for their future employment. According to the FICCI-Nasscom and EY - Future of Jobs - report, by 2022, 15-20% of the workforce in the banking, financial services, and insurance (BFSI) sector would be employed in new positions that do not now exist, putting 20-25% of present jobs in the sector under existential threat.

Skill Jobs

The essential skills are changing at a rate never before seen due to advances in digital technologies. Key competencies including cognitive capacity, physical ability, content skills, process skills, sophisticated problem-solving abilities, resource management skills, and social competencies are required of workforces to operate with digital roles in the banking sector. The ability to deal with data and make judgments based on data is a skill that will become more and more important for a variety of employment sectors. Human talents like attentive listening, critical thinking, social perceptiveness, and data interpretation are required to work with AI and automation. In order to ensure that college students are focused on "human skill," the Royal Bank of Canada has asked for a national review of the college curriculum. The banking industry will be looking for employees with strong digital skills. The Yes Bank is hiring additional applicants with backgrounds in technology in addition to providing training to their current staff so they may upskill them to meet demand.

Conclusion

Employers must make sure they are investing in the right talent as well as in the correct skills to equip their employees. Some current employment will be replaced by AI as a result of digital transformation, but additional jobs will also be created. Technology-related employment in the banking sector, such as those for cyber security specialists, credit analysts, robot programmers, block chain architects, process modellers, and delivery managers, will have a lot of opportunities. Employers must therefore improve their skills to understand the importance of analytics in each banking function. Candidates with the necessary skill set will be hired by the banking industry. IT professionals may benefit from this and have a bright future in the banking industry.

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