


STUDY OF DIGITAL DISRUPTION IN BANKING SECTOR
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Abstract :

Banking & financial sector in India is reshaping rigourously as the technological disruptions are spreading through Fintech, RegTech, SupTech, Robo-advice & so on. Adoption of Machine learning, Artificial Intelligence, Distributed Ledger Technologies are bringing paradigm shift in banking sector. RegTech is a technology to be used for regulatory functions by financial authority say RBI whereas SupTech represents technology for supporting regulatory supervision functions. Robo-advice is machine-based programme that helps corporates to predict risk of project in advance & design pro-active & protective measures.

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Introduction :

These technological changes are helpful in completing complicated tasks easily. FinTech has made payment mechanism easier & convenient & faster. Various digital wallets & online payment mechanism have initiated digital acceptance due to safety & security advancements. Further to this adoption of technologies in regulation & supervisions are significant as larger number of people have underway using these machineries.

Covid-19 has ignited the use of digital technologies further more.

Fintech is a new financial industry that applies technology to improve financial activities. (Schueffel,2016) This is very true as during Covid-19, online transfers have played a vital role in economies across the world.

'FinTech' is technologically enabled financial innovation that could result in new business models, applications, processes, products or services with an associated material effect on financial markets & institutions & provision of financial services. (Schindler,2017)

Banks may have a limited role & would eventually become fractional banks. (Andrian et al.2019). Banks did not adopt FinTech to capture larger markets, rather FinTech companies created products that would supplement banking services on a click.

Robot investment advisory can be studied to understand the relationship between intent to use the service & using the same, technology readiness & need for social interaction. (Belanche et.al.2019)

There is a need for new & modified regulations for fintech companies due to evolving business models. (Pejkovska,2018)



The business model of FinTech is operating intangibly along with banks to support e-banking services to customers. It generates online transaction through internet. Social networking sites create a data of users which is analysed with the support of artificial intelligence that generate a future path of customers.

While surfing on different sites your activities are recorded carefully that enables to draw a conclusion about one's future plan of action. Different pop-ups are example while using social networking sites that are outcome of technical upgradation. The moment one feels to see the product, payment options are made available instantly.

FinTech has become a hot term due to many driven forces, which include technical development, business innovation, expectations of market, cost saving requirements & customer demands. (Gai et al.2018)

Meaad Turki b, Allam Hamdan a, & others have illustrated the impact of adopting Regulatory technology (RegTech) innovations in banks on money laundering prevention & its effectiveness using Bahrain as a case study. By applying multiple regression analysis, it has measured the nature of relationship between variables to determine the impact of RegTech on money laundering prevention. The paper emphasizes 3 independent variables such as e-kyc, Advanced transaction monitoring & cost-time effectiveness.

According to Butler and O'Brien (2019), RegTech can be regarded as a new and vital dimension of FinTech. Compared with other current innovations, RegTech is at an early stage of development (Institute of International Finance, 2016b).

Arner et al., (2017) describe the term RegTech as 'the use of technology, particularly IT, in the context of regulatory monitoring, reporting, and compliance'. RegTech is used to describe both the technological solutions that aim to assist FIs in dealing with regulatory issues and the companies or organizations that have specialized in this business area.

Anagnostopoulos (2018) investigated the impact of RegTech on regulators and banks, whereas Sheridan (2017) presented the implications of MiFID II in the context of RegTech. Article has discussed how banks & financial institution are colliding with risk associated with automation & efficiency.

Concerning financial regulation, Kavassalis, Stieber, Breyman, Saxton, and Gross (2018) presented a RegTech approach towards financial regulation with the help of upcoming technologies.

Salami (2017) has elaborated the mechanism to detect ponzi financial transactions that may lead to criminal attacks. It also highlighted the capacity of RegTech to control terrorism that is sponsored through large illegal fundings.

Williams (2013) has explained Fraud detection issue & management. It also focuses the mechanism to govern such issues spreading vastly in finance industry.

Review of Literature :

1. Article of Prof. Robert Moro Visconti highlighted on the disruptions in industry due to Fintech. He Mentioned that FinTech is a vast & diverse industry that has enabled banks to bridge the gap between expectations of customer & services. FinTech has extended a plethora of financial services that has helped in solving frictional points for consumers & businesses.



2. Philippon (2019), has elaborated operationalism of FinTech that are mushrooming as a response to well-known market inefficiencies along the financial intermediation supply chain that are detrimental for end-users. FinTech has brought solutions for all inadequacies that might be hampering profits for business units & making customers unhappy & dissatisfied.
3. Ezechief Manirakiza has elaborated the success of FinTech in Europe through digital finance solutions. He stressed how youth of financial system uses new technologies to complete their requirements. Contactless payment system has created ease of financial transactions for young generations at a large.
4. Ismail Erturk, JeoZammit has illustrated FinTech in the post-covid Era. A public policy based on technological advancement supports industrial policy that pushes competitiveness & creates a platform for new start-ups. This ignites incumbent of financial institutions & promises democratization & disruption of technology that will bring financial regulation as a policy.
5. Michael B. Imerman, Frank J. Fabozzi (2020) focuses on emerging technologies & highlights the various areas of potential value for investors. Article also emphasizes on adoption of FinTech Ecosystem that generates payment technology, Digital Banking system, enabling digital wealth management & FinTech lending.
6. Peter Gomber & Robert Kauffman has pointed out three pillars responsible for digital disruption & development of FinTech such as Technical Innovation, Process Disruption & Services Transformation. Article also mentioned the future of financial services that will be more customer centric & cashless & emphasized the importance of cybersecurity more than money laundering.
7. Sudhir Kumar Pant in his article, elaborated different technological changes that have taken place in India. It covers practices of using FinTech in banking sector.

Objectives :

- To study different technologies adopted in Banking sector
- To understand the usage of technologies in Banking sector.

Rationale of study :

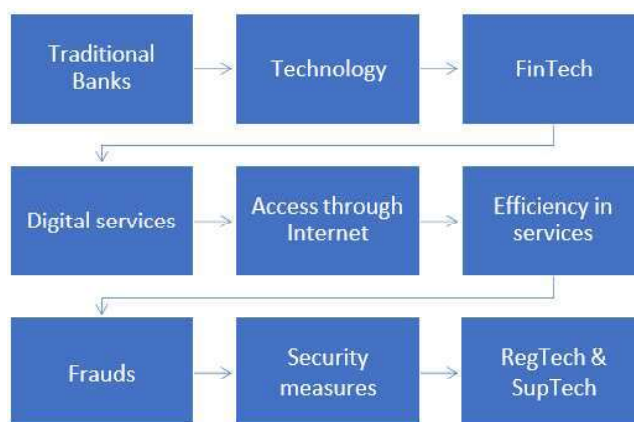
Technological changes have spread its effect almost in all sectors in general but has affected the way banks were operating in particular. Young bank customers prefer to use these technologies regularly for everything they want throughout the day. Online shopping portals, restaurant services, medical services, Web-series, reading news, listening to online stories & so on. The payment system for all these services is of varied nature, initiating with digital wallets, Net banking, UPI pay to Banking applications.

Data Analysis :

The paper is based on secondary information collected from articles published in renowned Research Journals & published in newspapers. These articles have developed insight regarding technical changes in various sectors particularly in banking & in the life of common people.



Conceptual Framework of adopting FinTech, SupTech & RegTech



Different services offered by traditional banks are changing the way it was done few years back. Technology adoption in banking has transformed banking processes & working culture at a large. FinTech have reorganised daily transactions in a quite easy & user-friendly pattern with the aid of smart phones.

Digitalisation of financial transactions with the help of internet has extended helping hand in enhancing customer satisfaction of banking services & has made banking further competitive.

Time required to complete a financial transaction has reduced tremendously to an extent further, customers don't require to visit branches at regular intervals. Banks have floated easy mobile apps that supported records of transactions handy & convenient.

Same way technology has also created a platform for fraudsters to keep close eye & try to make Ponzi sites to hack information of customers & transfer funds at a one click. This has forced regulatory authorities to adopt technical security measures for close surveillance & reduce fraudulent activities.

Financial regulators are also conducting programmes that could make people aware about fishy mails & also asking customers not to share important information with others.

Asymmetry of information regarding secure usage of technology to be blamed, but regulators are trying to reach common people through traditional & social media, creating awareness regarding safe transaction pattern.

Findings & Suggestions :

It was very clear from above discussions that in technology driven society, more the people try to misuse it, more efforts to be made by financial authority to make users alert about safe pattern of working. Reframing security regulations at regular intervals are successful keys as prevention is better than cure.

Conclusion :

Technology is the key to future. It is adopted in every field & area, people being wise & proactive can protect themselves through security measures updating from time to time. Banking & Financial sector are disrupted a lot due to technology, but mindful use of it will work crucially in coming future.


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