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Exploring Critical Study of Key Strategies for Effective Digitalization in Finance Management

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Abstract:

Digitalization is a broad term that con notes the use of electronic means and ways to conduct banking. It encompasses products and services that bank customers can typically access using their mobile devices or computers, or in general without human intervention from the bank. From a user perspective, digitalization confers enormous benefits in the form of ease, speed and multiple means of access and a paradigm shift in engagement. Since banking as a whole benefits from going digital, it is only a matter of time before operations turn completely digital so as to complete the digital transformation journey. As digitalization is here to stay, banks cannot afford to remain stuck with old world ways of doing business and will be quickly overshadowed by competition unless they adopt digitalization in a big way. Let us examine a few key strategies to help banks with that. By embracing digitalization, banks can provide enhanced customer services. This provides convenience to customers and helps in saving time. Digitalization reduces human error and thus builds customer loyalty. Today, people have round-the-clock access to banks due to online banking. Therefore Bank Management should adopt the digitalization in there System .In this Research Paper researcher try to study about different types of strategies for effective digitalization.

Keywords: *Digitalization, Strategies, Management, Finance.*

Research Methodology:

This paper is depending upon Secondary Sources of Data .The Information is collected from Different books, journals, magazines and websites.

Objective:

1) To Study the important of Digitalization in bank.
2) To Study the Finance Management Process.
3) To Study the Key Strategies for effective digitalization in Finance Management.

Introduction:

Bank plays very important role in the human's life. The Banking System is important for the smooth functioning of the economy. Human's day- today transactions are depending on the banking Business. Banking is defined as the business activity of accepting and safeguarding money owned by other individuals and entities, and then lending out this money in order to conduct economic activities such as making profit or simply covering operating expenses. A bank is a financial institution licensed to receive deposits and make loans. Two of the most common types of banks are commercial/retail and investment banks. Depending on type, a bank may also provide various financial services ranging from providing safe deposit boxes and currency exchange to retirement and wealth management. Bank management governs various concerns associated with bank in order to maximize profits. The concerns broadly include liquidity management, asset management, liability management and capital management. The banking business depends on the management of the bank. Proper management of the bank helps in the success of the banking business. Traditional banking business has many limitations. It is necessary to use it in daily work. For this it is necessary to use different strategies of digitization. In this connection, the researcher has considered in this research paper the management of the bank, the values of the management of the bank and the strategies of digitization used for proper management of the bank.

Finance Management:

Meaning of Financial Management:

Financial Management means planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise

Scope/Elements:

1. Investment decisions includes investment in fixed assets (called as capital budgeting). Investment in current assets are also a part of investment decisions called as working capital decisions.
2. Financial decisions - They relate to the raising of finance from various resources which will depend upon decision on type of source, period of financing, cost of financing and the returns thereby.
3. Dividend decision - The finance manager has to take decision with regards to the net profit distribution. Net profits are generally divided into two:
   a. Dividend for shareholders- Dividend and the rate of it has to be decided.
   b. Retained profits- Amount of retained profits has to be finalized which will depend upon expansion and diversification plans of the enterprise.

Objectives of Financial Management:

The financial management is generally concerned with procurement, allocation and control of financial resources of a concern. The objectives can be-

1. To ensure regular and adequate supply of funds to the concern.
2. To ensure adequate returns to the shareholders which will depend upon the earning capacity, market price of the share, expectations of the shareholders.
3. To ensure optimum funds utilization. Once the funds are procured, they should be utilized in maximum possible way at least cost.
4. To ensure safety on investment, i.e., funds should be invested in safe ventures so that adequate rate of return can be achieved.
5. To plan a sound capital structure-There should be sound and fair composition of capital so that a balance is maintained between debt and equity capital.

Functions of Financial Management:

1. **Estimation of capital requirements:** A finance manager has to make estimation with regards to capital requirements of the company. This will depend upon expected costs and profits and future programmes and policies

of a concern. Estimations have to be made in an adequate manner which increases earning capacity of enterprise.

2. **Determination of capital composition:** Once the estimation have been made, the capital structure have to be decided. This involves short- term and long- term debt equity analysis. This will depend upon the proportion of equity capital a company is possessing and additional funds which have to be raised from outside parties.
3. **Choice of sources of funds:** For additional funds to be procured, a company has many choices like-
   a. Issue of shares and debentures
   b. Loans to be taken from banks and financial institutions
   c. Public deposits to be drawn like in form of bonds.

   Choice of factor will depend on relative merits and demerits of each source and period of financing.
4. **Investment of funds:** The finance manager has to decide to allocate funds into profitable ventures so that there is safety on investment and regular returns is possible.
5. **Disposal of surplus:** The net profits decision have to be made by the finance manager. This can be done in two ways:
   a. Dividend declaration - It includes identifying the rate of dividends and other benefits like bonus.
   b. Retained profits - The volume has to be decided which will depend upon expansion, innovation, diversification plans of the company.
6. **Management of cash:** Finance manager has to make decisions with regards to cash management. Cash is required for many purposes like payment of wages and salaries, *payment* of electricity and water bills, payment to creditors, meeting current liabilities, maintenance of enough stock, purchase of raw materials, etc.
7. **Financial controls:** The finance manager has not only to plan, procure and utilize the funds but he also has to exercise control over finances. This can be done through many techniques like ratio analysis, financial forecasting, cost and profit control, etc.

Digitalization:

Digitalization means the transformation of data and information into a digital structure with the reception of innovation. Digital is the new buzz or the latest expression in all the sectors. The banking sector, like all other sectors, is progressing towards technological advancements. All over the world, banks are taking a huge step towards digitalization in order to cope up with the competition and deliver the maximum to its customers. Digitalization has transformed the manual process into digital service by reducing human error and thus, saving time and building customer loyalty. Across all verticals, consumer needs have been met through innovative ways, disrupting the existing enterprise value chains. Now round the clock, consumers have access to the services provided by a bank just by the use of online banking. The main steps of the digitalization of the banking sector are mainly focused on adding to the existing offer the use of new services enabled with technology to increase accessibility and value for customers. Digitalization has benefited consumers in certain ways but, it also has some challenges which have to be faced by the consumers, as everything has some of its own advantages and disadvantages. In this article, we will discuss the hits and misses of the digitalization in the banking sector, the need, and the progress of digitalization.

Late in the 1980s, India's banking sector felt a need to improve customer services and computerization of recording and accounting of data. A committee was set up in 1988 by the Reserve Bank of India and it was headed by Dr. C. Rangarajan to study Computerization in Bank. After the introduction of the Liberalization, Privatization, and Globalization (LPG) policy, the process of digitalization picked up the pace with the change in the Indian Economy.

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Digitalization means to convert business processes over to use digital technologies, instead of analogue or offline systems such as paper or white boards. Digitalization refers to creating a digitals representation of physical objects or attributes. For instance, we scan a paper document and save it as a digital document (e.g., PDF). In other words, Digitalization is about converting something non-digital into a digital representation or artefact. Digitalization of business helps to improve the efficiency of its process, consistency, and quality. It can integrate conventional records or files into a digitalized form, eliminating redundancies and shortening of communications chain. Improve and facilitate a better informational exchange. Digitization is an automation of manual and paper-based processes, empowered by the digitization of various information. Digitalizing an organization provides an advantage of doing things faster, better and cheaper. This can offer better profits and value-producing opportunities. Digitization is a process of converting information from the normal form into a digital (computerized) format. This format presents data that is represented as bits or bytes. Digitalization of bank management helps to improve the efficiency of its process, consistency, and quality. It can:

- Integrate conventional records or files into a digitalized form, eliminating redundancies and shortening of communications chain
- Improve and facilitate a better informational exchange
- Help in providing customer service anywhere in the world
- Reduce operational cost
- Prevent human error
- Take advantage of analytics & real user data
- Improve the continuity of business growth

Creative digital solutions give a competitive edge in the bank management to enhance quality, reinvent profitable methods and promote consistency. Hence, there are many banks who have adopted **digitalization in the bank Management** as it:

- Saves cost
- Increases efficiency
- Lack human error
- Safer data storage in the cloud
- Reduces operational costs
- Enables data to be analysed

Advantages of Digitalization in Banking Sector

Pay or send money from anywhere:

With the digitalization in the banking sector, it has offered the customers to use various types of services by sitting at home and not even restricted to any time hours. With the digital payment modes or through an online banking system one can send money from one account to any other account of any bank branch from anywhere and anytime. Modes like USSD (Unstructured Supplementary Service Data), E-Wallets, UPI, other banking applications allow us to do so.

Easy and Convenient:

Digitalization has made it easy and convenient for the customers and the financial institution, as now the use of physical cash has become very less as compared to digitalized cash and there is no need to take loads of cash from one place to another. The risk of human error has minimized which has led to an increase in consumer loyalty. Services like NEFT

(National Electronic Fund Transfer), RTGS, etc. have also made it easy to transfer the amount from one bank to another in a very convenient form.

Written Record:

It has offered us to maintain our record, track our spending and budget planning. By using online applications we get a record of every transaction we make. Applications automatically record the transactions in the passbook or inside the E-Wallet App.

Discounts from Taxes and Other Incentives:

Many discounts were announced by the government and the central bank to encourage digital payments. If one uses digital modes to make a payment up to 2000 INR, one gets full exemption from service tax. Nowadays many mobile application operators also provide some incentives like cashback and other promotional offers which have also provided benefits to the consumers. One also gets 75 per cent discounts on fuels and 10 per cent discounts on insurance premiums of government insurers.

Key Strategies for effective digitalization in Finance Management:

Digitalization as part of banks' mission and vision:

Tradition-bound banks usually state customer centricity or customer experience as their motto in their vision and mission documents. Since digitalization will be all encompassing in the days to come, banks should consider incorporating it in their mission and vision. This will seriously impact their budget, as well as the outlook and culture that they project both to employees and customers. A bank that proclaims digitalization as a key objective will have to make both strategy investments as well as tactical adjustments in orienting its operations and equipping its employees for the digital road ahead. Further to that, priorities can often conflict at different levels of the bank's hierarchy and alignment can be checked with the vision and mission to iron them out.

Partnership with technology companies:

In a non-digital environment it will suffice for banks to wait out for technologies to mature before soliciting help from technology companies to introduce new technologies for business.

Additionally, pain points in operations were tactically addressed from time to time with technology based reactive measures. In a digital environment this wouldn't work as the competition will claim valuable market share which will be very difficult to recapture at a later stage. Instead of waiting for a host of pain points to surface before taking the digital plunge, banks could make a big decision to partner with technology companies operating in the banking space. The technology companies can periodically impart digital product education to the bank management and staff and prepare them for the change ahead. A second step for the bank would be to invest in pilot projects as part of partnering the technology companies' evolving products.

Adopting automation:

Digital services present unprecedented opportunities for banks to automate operations in myriad ways. While there is a caveat that the human touch should not be lost, the very nature of digital technologies lend themselves to automation. For example, the e-wallet, which stores all the customer data on the client or server side is a definitive shift towards improving customer experience. Block chain technology which is set to revolutionize digital transactions, is another case in point.

These all strategies for digitalization Finance management should be use while doing any type of business.

Conclusion:

Finance management system is a virtualization of transactions in banking system. The banking system are used manual working but when we used Digitalization system it is totally virtualization process which avoid manual process and converts it in automatic process . If user can make a transaction in bank management system it is available in any were also user can link adhere with account, change branch location easily. Bank management system is saving the time with accuracy than bank manual system. Finance Management an improve the banking business by using above Digitalization strategies. Digitalization also means Finance Management increasingly need to mirror the underlying technologies in their outlook, plans and operations and hence a strategy of close cooperation with technology companies will be of benefit

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