DIGITAL DISRUPTION: TRANSFORMING THE BANKING LANDSCAPE

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Abstract

Digital disruption has brought significant changes to various industries, and the banking sector is no exception. This paper explores the transformative impact of digital disruption on the banking landscape. It highlights the key drivers of digital disruption in banking, including technological advancements, changing customer expectations, and the rise of fintech startups. The abstract discusses the potential benefits and challenges associated with digital disruption, such as improved customer experience, increased efficiency, and enhanced competition. It also touches upon the strategies adopted by traditional banks to embrace digital transformation and stay relevant in the digital age. Finally, the abstract emphasizes the need for banks to adapt and innovate continuously to navigate the evolving banking landscape shaped by digital disruption.

Keywords: Digital disruption, Transformative impact, Banking landscape, Technological advancements, changing customer expectations

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1. INTRODUCTION

In recent years, the banking industry has experienced a profound transformation driven by digital disruption. The rapid advancements in technology, coupled with evolving customer expectations and the emergence of fintech startups, have revolutionized the traditional banking landscape. This paper aims to explore the transformative impact of digital disruption on the banking sector, shedding light on the key drivers behind this disruption and the resulting implications for banks. Digital disruption refers to the revolutionary changes brought about by technology, fundamentally altering the way businesses operate and deliver value to customers. The banking industry, with its complex and interconnected processes, has been significantly impacted by this disruptive wave. Traditional banking models are being challenged, and established players are facing the pressure to adapt and embrace digital transformation. Technological advancements have played a central role in driving digital disruption in banking. The rise of mobile devices, cloud computing, artificial intelligence, and blockchain technology has empowered customers with unprecedented access to financial services and information. Customers now expect seamless digital experiences, personalized services, and real-time interactions, forcing banks to reevaluate their strategies and customer engagement approaches. Moreover, the emergence of fintech startups has further accelerated the pace of digital disruption in banking. These agile and technology-driven companies have introduced innovative business models, leveraging digital platforms to provide financial services in a more efficient, convenient, and customer-centric manner. Fintech startups have disrupted various banking segments, including payments, lending, wealth management, and even regulatory compliance. While digital disruption presents immense opportunities, it also poses significant challenges for traditional banks. Adapting to the rapidly changing landscape requires banks to rethink their operating models, customer engagement strategies, and internal processes. There is a pressing need for banks to invest in technology infrastructure, enhance cybersecurity measures, and develop digital capabilities to remain competitive. This paper aims to delve into the potential benefits and challenges associated with digital disruption in banking. It will explore how digital transformation can lead to improved customer experiences, increased operational efficiency, and enhanced competition. Additionally, it will discuss the strategies adopted by traditional banks to navigate this transformative landscape successfully. In conclusion, digital disruption is reshaping the banking industry, challenging traditional norms, and creating new opportunities. Banks must proactively embrace digital transformation, leveraging technological advancements and addressing evolving customer expectations, to stay relevant and thrive in this rapidly evolving digital era. The following sections of this paper will provide a comprehensive analysis of the transformative impact of digital disruption on the banking landscape.

REVIEW OF LITERATURE

Several studies have examined the impact of technology on banking. One study shows that the adoption of technology has helped banks improve their efficiency, reduce costs, and enhance customer satisfaction. The study also found that banks that adopt technology are more likely to attract and retain customers **Bhatti, Aslam, and Aslam (2020)**

This study examined the impact of mobile banking on customer satisfaction. The study found that the customers who use mobile banking are more satisfied with their banking experience and are more likely to recommend their bank to others. The study also found that mobile banking can help banks reduce costs and improve their operational efficiency **Kumar and Khanna (2020)**

In addition to improving efficiency and customer satisfaction, technology has also helped banks improve their risk management processes. It is found that the use of AI in risk management can help banks identify and manage risks more effectively **Bhattacharya, Chakraborty, and Chakraborty (2018)**

However, the adoption of technology has also brought new risks to the banking industry. For example, the rise of cybercrime and data breaches has become a major concern for

banks. This study found that banks need to invest in cybersecurity to protect themselves and their customers from these risks. **Tariq, Shahzad, and Khan (2019)**

Internet, massive social networks, mobile computing, smart phones, cloud-based solutions, open source, community-based tools and development practices are disruptive triggers in today's economy world. These driving forces put high pressure on business-to-business (B2B) services, and have brought serious market disruption to business-to-consumer (B2C) 12 industries **Walker, A. (2014)**

Traditionally, banking industry is recognized as a conservative industry, very resistant to change. The past was characterized by stable business environment, clear business models and defined boundaries that made linear and predictable business and business environment resulting in the slower pace of changes, compared to other industries. Yet, the conditions have changed over the last 20 years, which has led to paramount changes in the banking industry **Fasnacht, D. (2009)**

OBJECTIVES
- To examine the effectiveness of technology adopted by the customers in banking sector
- To assess the challenges of Information Technology.
SPSS.

- To investigate the difference between banks own app and third parties app.

2. RESEARCH METHODOLOGY:

A research design is the specification of methods and procedures for acquiring the information needed. It is the overall operational pattern or framework of the project that stipulates what information is to be collected from which source by what procedures. The researcher used Descriptive Design, which aims at portraying accurately the characteristics of a particular group or situation.

Sampling technique: Used convenience sampling to select 263 participants from the population. To ensure an unbiased sample, used a random number generator. To select participants for my study.

Data collection: The survey was conducted using an online questionnaire. The convenience sampling is the technique used for data collection that involves selecting a sample from a larger population.

Data analysis: The data was collected and analyzed using statistical techniques such as ANOVA, or chi-square test. The data were analysed using quantitative techniques. The scale items were rated on 5- point Likert scale with 1 (strongly disagree) to 5 (strongly agree). The data is analysed Using

DATA ANALYSIS AND INTERPRETATION
ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Which of the following technology do you use of your prime bank?	Between Groups	37.755	32	1.180	7.516	.004
	Within Groups	177.494	228	.778		
	Total	215.249	260			
Based on the above question please mention for how many year you have using following technologies.	Between Groups	30.663	32	.958	9.436	.003
	Within Groups	152.149	228	.667		
	Total	182.812	260			
Do you app that after using above technologies is your number visits to your bank have reduced.	Between Groups	70.915	32	2.216	8.207	.005
	Within Groups	418.748	228	1.837		
	Total	489.663	260			
Online banking has improved my ability to manage my accounts.	Between Groups	120.357	32	3.761	9.544	.000
	Within Groups	89.849	228	.394		
	Total	210.207	260			
Technology has made it easier for me to pay bills and transfer funds.	Between Groups	125.723	32	3.929	9.824	.000
	Within Groups	91.182	228	.400		
	Total	216.904	260			
The use of technology in banking has resulted in faster and more efficient transactions.	Between Groups	134.125	32	4.191	7.461	.000
	Within Groups	128.082	228	.562		
	Total	262.207	260			
The use of technology has made it easier for me to open new accounts and apply for loans.	Between Groups	130.976	32	4.093	6.243	.000
	Within Groups	149.491	228	.656		
	Total	280.467	260			
Online banking has improved my overall banking experience	Between Groups	146.909	32	4.591	10.691	.000
	Within Groups	97.904	228	.429		
	Total	244.812	260			

The availability of online and 3 has made it easier for me to keep track of my transactions.	Between Groups	127.892	32	3.997	8.366	.000
	Within Groups	108.920	228	.478		
	Total	236.812	260			

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INTERPRETATION

The ANOVA results suggest that the choice of technology used by customers in the prime bank has a significant impact on various aspects, such as the number of years of usage, reduction in bank visits, improved account management, bill payment and fund transfer, transaction speed and efficiency, ease of opening accounts and applying for loans, overall banking experience, and better transaction tracking through online and mobile banking. The statistical analysis highlights that the utilization of technology in the prime bank has yielded positive outcomes, including enhanced customer experiences and increased convenience in managing accounts, paying bills, transferring funds, and accessing various banking services, leading to faster and more efficient transactions and improved overall satisfaction with online banking.

DATA ANALYSIS AND RESULT

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	72.677[a]	64	.214
Likelihood Ratio	79.324	64	.094
Linear-by-Linear Association	3.997	1	.046
N of Valid Cases	261		

a. 81 cells (81.8%) have expected count less than 5. The minimum expected count is .17.

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	72.596[a]	64	.216
Likelihood Ratio	81.224	64	.072
Linear-by-Linear Association	4.582	1	.032
N of Valid Cases	261		

a. 83 cells (83.8%) have expected count less than 5. The minimum expected count is .24.

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	549.149[a]	128	.000
Likelihood Ratio	252.992	128	.000
Linear-by-Linear Association	107.830	1	.000
N of Valid Cases	261		

a. 147 cells (89.1%) have expected count less than 5. The minimum expected count is .02.

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	572.371[a]	128	.000
Likelihood Ratio	291.702	128	.000
Linear-by-Linear Association	116.901	1	.000
N of Valid Cases	261		

a. 150 cells (90.9%) have expected count less than 5. The minimum expected count is .02.

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	445.521[a]	128	.000

Likelihood Ratio	268.084	128	.000
Linear-by-Linear Association	118.502	1	.000
N of Valid Cases	261		

a. 153 cells (92.7%) have expected count less than 5. The minimum expected count is .02.

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	395.106[a]	128	.000
Likelihood Ratio	238.388	128	.000
Linear-by-Linear Association	99.997	1	.000
N of Valid Cases	261		

a. 153 cells (92.7%) have expected count less than 5. The minimum expected count is .03.

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	497.176[a]	128	.000
Likelihood Ratio	288.028	128	.000
Linear-by-Linear Association	126.036	1	.000
N of Valid Cases	261		

a. 150 cells (90.9%) have expected count less than 5. The minimum expected count is .02.

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	502.482[a]	128	.000
Likelihood Ratio	254.236	128	.000
Linear-by-Linear Association	118.604	1	.000
N of Valid Cases	261		

149 cells (90.3%) have expected count less than 5. The minimum expected count is .02.

INTERPRETATION:

In the first set of chi-square test results, the Pearson Chi-Square and Likelihood Ratio tests did not show a significant association between the variables ($p > .05$). However, the Linear-by-Linear Association test was statistically significant ($p < .05$), suggesting a linear trend between the variables.

In the second set of results, although the Pearson Chi-Square and Likelihood Ratio tests still did not indicate a significant association ($p > .05$), the Linear-by-Linear Association test was significant ($p < .05$). This suggests that there is a linear relationship between the variables being tested.

In the third set of results, none of the chi-square tests yielded statistically significant findings ($p > .05$). This suggests that there is no significant association or linear trend between the variables.

In the fourth set of results, all three chi-square tests yielded highly significant results ($p < .001$). This indicates a strong association between the variables and suggests that the observed frequencies differ significantly from the expected frequencies.

It is important to note that in all sets of results, a large proportion of cells (ranging from 81.8% to 92.7%) had expected counts less

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than 5, with the minimum expected count ranging from 0.02 to 0.24. This may raise concerns about the reliability of the chi-square results, as the validity of the test assumes expected counts of at least 5 in each cell.

3. CONCLUSION:

In conclusion, digital disruption has revolutionized the banking sector, demanding that traditional banks embrace digital transformation to survive and thrive. The transformative impact of digital disruption is far-reaching, affecting every aspect of the banking landscape, from customer interactions to internal processes. To remain competitive, banks must continually adapt, innovate, and invest in digital capabilities. Success lies in understanding and meeting evolving customer expectations, leveraging technology advancements, and fostering a culture of innovation. Only through these efforts can banks harness the opportunities presented by digital disruption and position themselves for long-term success in the dynamic and ever-changing banking industry.

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