

AN ANALYTICAL STUDY ON IMPACT OF DIGITALIZATION OF RETAIL BANKING ON AUDIT AND COMPLIANCE – A LITERATURE REVIEW

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ABSTRACT:

The digitization of branch banking has had a profound influence on various stakeholders, including customers, employees, audit, and compliance. This literature review synthesizes existing research to examine the implications of digitization in these areas. For customers, digitization offers enhanced convenience and personalized experiences, although concerns around security and trust remain. Employees face changing roles and skill requirements, as well as potential job automation. Audit benefits from improved data analytics and real-time monitoring, while compliance faces regulatory challenges and opportunities for advanced anti-money laundering and fraud detection. Addressing technological barriers and ensuring inclusive access are crucial. This review provides insights for understanding the multifaceted effects of digitization in branch banking and informs future research and managerial practices.

Digitization has revolutionized the banking industry, transforming traditional brick-and-mortar branches into digitally-driven entities. This literature review examines the impact of digitization on various stakeholders in branch banking, including customers, employees, audit, and compliance. By synthesizing research conclusions from academic articles, industry reports, and case studies, this review highlights the benefits, challenges, and implications of digitization for each stakeholder group. The conclusions subsidize to a comprehensive empathetic of the transformative effects of digitization in branch banking and deliver perceptions for future investigation and managerial practices.

Keywords: digitization, branch banking, customer, employee, audit, compliance, technology, convenience, customer experience.

Introduction:

The conventional paradigm of bank branches is being transformed by digitalization as a result of the tremendous variations transported around by the fast expansion of technology. By reviewing the relevant literature, we want to get a better understanding of the good and bad effects that digitalization has had on branch banking's clients, workers, audits, and compliance.

The digitalization of branch banking is a through result of the revolutionary variations transported around by the rise of digital technologies in the banking sector. Because of this change, banks now manage their personnel differently, perform audits differently, and check that they are in compliance with regulations in a whole new light. Branch banking is becoming digitalized by incorporating internet services, smartphone apps, and automated procedures into the conventional brick-and-mortar paradigm.

Branch banking clients, staff, audits, and compliance are the targets of this literature study, which seeks to examine the effects of digitalization on these areas. This research purposes to provide a thorough knowledge of the digital alteration's effects in these important domains by bringing together and evaluating previous evidence from scholarly papers, company reports, and case studies.

In the process of moving branch banking online, customers are crucial. Customers are given more control by the availability of digital banking services, which enable them to admission their financial records, make dealings, and get help whenever they need it, from any location. In addition, with the help of digital tools like self-service choices, customized product suggestions, and user-friendly interfaces, customers may enjoy smooth and personalized experiences. Customers may be wary of putting their faith in digital banking due to worries about data privacy, cybersecurity, and the exposure of sensitive information online.

The digitalization process is having a major impact on branch banking employees. Employee responsibilities and skill sets are evolving in response to technological disruptions in the banking industry. Along with supplying digital products, they must also adapt to new digital tools and platforms and provide value-added services. Furthermore, digital platform

automation of mundane jobs might lead to job redesign and even displacement; hence, upskilling and reskilling programs are needed to keep workers relevant and productive.

The audit role inside financial organizations is also affected by the digitalization of branch banking. By using modern data analytics skills, auditors can effectively evaluate massive volumes of transactional data, spot abnormalities, trends, and possible dangers. There is less of a lag time between finding non-compliance concerns and taking remedial steps when digital banking processes are monitored in real-time. Financial firms' risk management and internal controls are both enhanced by these technological developments in audit procedures.

An essential part of the banking industry's compliance with regulatory requirements is the introduction of both possibilities and problems brought about by digitalization. Data protection, privacy, and information security are three areas where the fast development of digital expertise has shaped new obstacles for financial institutions to meet legal standards. However, with the help of AI and sophisticated analytics, digitalization also opens up possibilities for better fraud detection and anti-money laundering (AML) systems.

There are a lot of advantages to digitalizing branch banking, but there are also some problems. The smooth deployment of digitization is hindered by technological constraints, such as outdated systems, interoperability challenges, and cybersecurity concerns. It is also important to make sure that everyone can use digital banking services, as some people may have trouble using them since they don't know how to use them or don't have admission to the necessary equipment.

Our goal in conducting this works analysis is to shed light on the revolutionary implications of digitization in banking by investigating its consequences for clients, workers, auditors, and regulators in the context of branch banking. This review's results provide the groundwork for further studies and management strategies in branch banking, and they add to our knowledge of the digital revolution's far-reaching effects.

Literature Review

A. Digitization of Banking System:

Mayowa G. Agboola et al. 2019 [1] investigate how digitalization enhances the performance of marketable banks by selecting 370 non-managerial staff members from one such institution using a combination of the purposive approach and simple random sampling. An SPSS version 25 analysis was performed on data collected mostly from a self-structured questionnaire. The research showed that commercial banks' performance was positively and weakly correlated with their digitalization efforts ($r = 0.114^*$; $p.05$). Furthermore, creation revolution and the presentation of commercial banks in Nigeria are strongly correlated ($r = 0.186$; $p 0.001$). Study findings suggest that, all else being equal, commercial banks in Nigeria may greatly benefit from digitization operations when implemented correctly.

The Indian banking sector began to see the value in computerization for better customer service, accounting, and management information systems reporting in the late 80s, according to a study by Harchekar, J. S. (2018) [2]. Under Dr. C. Rangarajan's leadership, a committee was formed in 1988 by the Reserve Bank of India to investigate the computerization of banks. Data is "digitized" when it is transformed into a digital format by use of technological means. By embracing technology, banks may enhance their client service. Customers love how this saves them time and is so convenient. Digitalization enhances customer dependability by decreasing the likelihood of human error. A slew of new technologies is radically altering the way consumers engage with their money. Banks, in order to maintain their competitive edge and improve customer service, should rethink their business strategies, particularly in regard to mobile and social media. The new regulations known as Payments Services Directive 2 (PSD2) and open banking are hastening this change by giving customers more say in their financial transactions. Financial institutions are now required to let customers who want to share their spending habits and payment schedules with approved third-party service providers. Plus, until very recently, banks had no idea that the millennial generation would dominate the market for financial goods, which led to a drastic shift in consumer behavior. It is believed that the banking sector will digitize in response to rising smartphone use, meeting worldwide expectations. It really made things easier and reduced the likelihood of human mistake. Banks must be vigilant and prepared to counter cyber assaults as these threats are becoming more common.

The world economy has grown and thrived in the age of digital currency, according to Kapadia and Madhav (2020) [3]. Every aspect of our lives is becoming more digitized. The Internet has traditionally blowout at a far faster rate than previous generations of communication technologies. The expected number of Internet users increased dramatically from 1990 to 2000, impacting people's ability to study, communicate, do business, access information, and participate in cultural exchanges. The digital economy is the present strategy for remaking India into a knowledge-based civilization also budget via the use of digital resources. Automating the process and the result via digitization increases production while maintaining or improving quality. By automating the process and the product, digitization improves quality and efficiency. Businesses that rely heavily on IT—like banking and investing—are among the first to feel the effects of the rise of digital technologies. These sectors use a "combination of technologies, information, computation, communication,

and networking." Many industries in India have benefited from digitization, contributing to the country's expanding economy. These include the automobile, tourism, railroad, real estate, and mortgage banking industries. This article discusses the influence of digitization on the banking industry and offers suggestions for improving service quality in India's banking and financial sectors.

In a rapidly developing country like India, the study by Sharma, S., & Khurana (2022) [4] aims to classify the key influences that customers plan to use MBSs for. The research also looks at the gender gap in mobile banking use. This research uses a self-structured questionnaire to collect data from 143 participants. Contrarily, a made-up study evaluated the reliability of prior literature by means of qualitative research. Apparent ease of use, perceived utility, compatibility, and apparent risk were identified as four factors that significantly influenced the intention to adopt MBS in India. These factors were discovered through the use of principal constituent examination besides confirmatory factor analysis. But there was a tiny percentage difference in MBS between the sexes, as shown by the Chi-square test. Because bankers and practitioners can adjust their strategies to better penetrate the mobile banking market by adopting the study's recommended parameters, the results of this study have significant insinuations for both groups.

Considered a watershed moment in the expansion of the global financial industry. Kannan (2019) [5] reports that customers of the Indian financial sector have lately increased their use of computerized banking. Quick net administrations, the proliferation of computerized devices, and investors' inclination to encourage clients to use advanced related financial administrations have all set the stage for the rapid dissemination of banking services through computerized modes. Automated teller machines (ATMs), the web, telebanking, and mobile banking are some of the ways in which customers engage in financial transactions in modern banking. Constant hacking into sophisticated financial administrations and the removal of computer-related falsehoods by scam artists. Some instances of sophisticated financial fraud include theft of customer databases, problems with electronic cash transfers, the establishment of clone sites in the name of clients' exchange banks, and cheating on layaway and platinum cards. This article makes an effort to discuss computerized fraud and how it affects people's faith in automated banking systems. In order to get to know the sophisticated clientele of certain banks better, we conducted a study that includes topics like computerized banking fraud and the current state of client confidence.

B. Impact of Digitization on Banking Sector:

Kapadia, Sunil, and Madhav, V. Venu (2020) [6] state that the global economy has flourished and thrived in the era of electronic money. Technology is permeating every aspect of our lives. Internet penetration was historically substantially higher than that of earlier generations of communications networks. The exponential growth in the quantity of individuals by means of the Internet from 1990 to 2000 changed the way people communicate, study, work, shop, and even experience different cultures. The most current manifesto targeting the transformation of India into a knowledge economy and digitally entitled society via the employment of digital tools, technology, and procedures is the digital economy. Product and process automation through digitization boosts output and quality. Both the product and the process can be automated through digitization, leading to higher standards and more productivity. Economic and investment service industries, which are overwhelmingly reliant on IT—a "combination of technologies, information, computing, communication, and connectivity"—are among the most vulnerable to the rise of digital technology. Numerous sectors of the Indian economy have benefited from digitization, counting the automotive, travel also tourism, railway, real estate, also advance banking businesses. In this article, we'll look at how digitalization is changing the banking industry and how India's financial institutions can up their game in terms of customer care.

Computerization is changing the face of banking in India, according to a study by Meena, M. M. R., and Parimalarani, G. (2020) [7]. The proliferation of mobile phone use and high-speed Internet connections like 3G and 4G directly affects the rate of digital transformation. Public and private bank workers alike are furious about the industry's digitization push. The purpose of this research is to find out if the banking workforce sees more job opportunities or fewer jobs as a result of digital transformation of banks. Researchers rely on secondary data culled from a variety of sources, including articles, books, blogs, and journals, to accomplish the study's objective.

Technology, according to Balkan, B. (2021) [8], is changing society, economics, banks, and banking. Banking transactions were originally moved away from branches, which were conventional distribution channels, and towards automated teller machines (ATM), telephone, internet Internet banking, and mobile devices, which eventually diversified distribution channels. This trend proceeded, and cloud-based apps, big data, and the notion of big data reading comprehension gained significance over time. Furthermore, bitcoin has penetrated the domain of ordinary life. The rise of digital communication allows individuals all over the globe to converse with one another. In the beginning, digital banking took the shape of a distribution channel, which offered ease of access and cost advantage, as well as productivity increase, by allowing financial services to be supplied without the branch, i.e., personnel. This circumstance improved bank profitability by placing the banking system ahead of the competition. Social media has turned into one of the technical advancements. Blogs and channels like YouTube have become a part of daily life. In addition to achieving

public relations and marketing goals, banks need to be present on social media in order to construct new service architecture and keep a large client base. Social media also influences the financial sector. New social media-based business models have emerged as a consequence of the proliferation of online social networks such as Twitter, Facebook, and LinkedIn. A further development stemming from digitization and tech progress was the emergence of 'Fintech' businesses offering creative, versatile, and adaptive financial solutions; these businesses seemed to possess the capacity to revolutionize banking and financial institutions alike. The sector is facing competition from Fintech companies, which is a mixed bag. On the one hand, there's the chance to gain an edge by working with Fintech companies to build new business platforms. Official open banking policies emerged as a consequence of these technology developments' effects on legislation. With the use of open banking and APIs, fintech companies were able to create new financial services and share customer data. As a result of this shift, banks are no longer seen as standalone entities but rather as platforms that may work with Fintech companies to provide customers with better financial products and services at lower prices. The rapid pace of digital transformation may force financial institutions to rethink their core offerings, operational procedures, and even their very organizational design. More and more, banks are shifting their focus from making money to turning data into information and marketing data. As time goes on, digital transformation is shifting our focus from the bank to the client. The most significant change has been the rise of digital banks that offer direct digital financial services; this is in addition to the fact that banks are now primarily digital service providers and see the internet as a service channel. Mobile banking is just one of these developments. The rapid pace of digital transformation may force financial institutions to rethink their core offerings, operational procedures, and even their very organizational design. More and more, banks are shifting their focus from making money to turning data into information and marketing data. As time goes on, digital transformation is shifting our focus from the bank to the client. The most significant change has been the rise of digital banks that offer direct digital financial services; this is in addition to the fact that banks are now primarily digital service providers and see the internet as a service channel. Mobile banking is just one of these developments.

Theoretical works on the growth of data and advanced innovation in India's banking sector are reviewed by Meena, R. K. (2019) [9]. The tremendous developments in cutting-edge technology have changed the way financial institutions function. The advent of computerized business has disrupted traditional business practises and given birth to new, independent ways of working together. I would say that sophisticated banking is the most current example. Computerized banking developments have developed over the years, with the availability of a broad variety of products such as shops, ATMs, charge cards, portable installments, and so on. Applying the principles of the modern era increases the possibility of achieving success on a global and regional scale. Banks are being pushed to purchase more sophisticated models that provide distinct sources of substantial value due to increased competition and other financial challenges. This study looks at the banking industry in India to see how far-reaching innovations have gone and in what ways they have affected things.

The purpose of this research by Reddy, A. K. (2021) [10] was to identify the component of E-Banking service quality that may have the most impact on customer satisfaction by examining the link between these two variables. Data from the banking industry in Lebanon was gathered using a survey instrument. When done well, electronic banking has become an essential service that helps banks stay ahead of the competition and delights their customers. Financial institutions may better cater to their clients' needs by gaining a better grasp of the weight each aspect of service quality carries. One of the most important parts of the international monetary system is e-banking. Electronic banking services, made possible by a confluence of technological and monetary breakthroughs, are the subject of this study. "As day by day increasing the technologies are also increasing". Technology has transformed into a force that accelerates change. Thanks to E-Banking, consumers may effortlessly handle their account transactions from any location with an internet connection, eliminating the need to physically visit a bank. In order to enhance the banking sector and improve service quality, e-banking is making a big splash. This is because electronic payments boost productivity, decrease the cost of banking operations, raise customer happiness, and enable quicker and greater volume settlement. A revolution in banking has begun with the advent of globalization brought about by the proliferation of information technology. Future E-Banking services are analyzed in light of the major developments.

According to Das, S. A., and Ravi, N. (2021) [11], Indian banks are investing heavily in developing cutting-edge E-Banking methods to maintain and grow their competitive advantage, and they are strategically employing E-Banking services to retain and recruit clients. Dependability, security and privacy, website design, responsiveness, and communication are some of the service quality elements that the research hopes to discover and evaluate in relation to customer satisfaction. To gather primary data, an online survey was used. We received 149 complete questionnaires. We employ tests like weighted average, correlation, regression, and analysis of variance (ANOVA) to analyze the data. If we want more satisfied customers using our E-banking services, this research suggests a few ways we may boost service quality. This research provides banks with the information they need to enhance the quality of their online banking services, which will ultimately lead to happier clients.

Conclusion:

There are many advantages and disadvantages to digitalizing branch banking for consumers, workers, auditors, and regulators. It requires staff to be flexible and constantly learn new things, but it will improve convenience and customer experience. Additionally, it provides better audit capabilities and may lead to better compliance measures. Maximizing the benefits of digitization in branch banking requires addressing challenges related to technology, security, and inclusivity. The changing digital landscape in the banking industry necessitates additional investigation into potential solutions to these problems.

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