

## THE IMPORTANCE OF CUSTOMER EXPERIENCE IN DIGITAL BANKING

### Reference to Customer Experience in RBI's Directive on Digital Banking Unit

Digital Banking has been popular in the country, and the ease of availing banking services at any time anywhere has helped to gain popularity. Considering it as a need of an hour RBI has also stepped in to guide the banks on setting up Digital Banking Unit. Further, the circular lays down certain functions that the digital banking department/division/center can undertake.

These functions include:

1. Designing and implementing digital banking products and services
2. Providing digital banking solutions to customers
3. Undertaking digital marketing and branding initiatives
4. Developing and maintaining digital banking infrastructure and technology
5. Must have a dedicated team of qualified professionals who can manage digital banking operations and possess the necessary skills and expertise.

Overall, the RBI circular on opening a digital banking department/division/center by all Scheduled Commercial banks is aimed at promoting the adoption of digital banking technology and ensuring that the necessary infrastructure and expertise to provide digital banking services to their customers is present.

All the functions laid down from the RBI Circular help Banks deliver an enhanced customer experience. The article further talks in detail about why effective implementation of these points translates to better customer experience.

### A Context of Customer Experience and Satisfaction by Banks and Fintechs

Customer Experience and Customer Service are two very important and crucial factors that play an important role in the BFSI Sector. It is needed to build and showcase trust and loyalty. This can lead to repeat business and positive word-of-mouth recommendations, which are critical for the success of any business. This process increases customer retention. Retaining customers is much cheaper than acquiring new ones, and it can lead to long-term business growth. The reputation that a bank or organization builds and prides itself on is mainly attributed to Customer Experience. In the highly competitive BFSI sector, where customers have a wide range of options, providing excellent customer experience and service can be the key differentiator that sets a bank apart from its competitors.

Banks and fintech have different approaches when it comes to digital banking CX and customer service. Banks typically have a more traditional approach, with a focus on security and reliability. They may offer a range of services and products but may have a less flexible approach to customization and personalization. Banks may also have more established customer service departments, with dedicated staff to handle customer queries and complaints.

FinTechs, on the other hand, tend to be more agile and innovative in their approach to digital banking CX. They may offer a more personalized experience, with tailored products and services that cater to specific customer needs. FinTechs also tend to use cutting-edge technology, such as artificial intelligence and machine learning, to improve the customer experience.

In terms of customer service, fintech may rely more heavily on automated systems, such as chatbots, to handle customer queries and complaints. This can be both efficient and cost-effective but may also lead to a custom personal experience for customers. Banks, on the other hand, may have more established customer service departments with dedicated staff to handle customer queries and complaints.

FinTech's have a Digital-first approach where they give more emphasis on Online mobile channels for customer interactions, unlike banks who still rely heavily on traditional brick-and-mortar branches for customer service. FinTech's are known for their agility and ability to quickly adapt to changing customer needs and market trends which is not matched by banks due to their size and regulatory constraints.

FinTech's provide an emphasis on the Personalization of the customer experience via Data analytics and AI which is not in the scope of traditional banks which outsource their requirements. FinTech's may offer more personalized and responsive customer service, often through digital channels like chatbots and social media. Banks may still rely on more traditional customer service channels, such as call centers and in-person branches. In essence, fintech and banks have different strengths and weaknesses when it comes to customer experience. FinTech's excel in agility and digital-first approach, while banks have a wider range of products and services and may offer more personalized in-person interactions

### How can banks catch up with their customer experience?

It is very important for Traditional banks not to neglect Digital banking. It is always said on a lighter note that retired people love to go and spend time at banks a couple of times a month. This is a realistic indicator of the current generation's preference for digital banking. The core competency of a bank does not lie anymore in traditional banking services. A bank should not focus primarily on traditional banking services and turn a blind eye to its poor digital infrastructure. They should stop outsourcing their digital infrastructure, and rather try and build their own or partner with a company to make sure it develops the skillset to maintain and develop the needed digital infrastructure. A bank must reinvent the idea of customer satisfaction. They tend to focus on high-net-worth individuals rather they must give more emphasis on the Customer Journey, Customer service at every stage of the journey. They must invest heavily in designing an efficient and intuitive Interface both on their mobile apps and websites. They should factor in the latest tools like Chatbots, AI Analytics, and Realtime Insights and provide customized service to each customer.

Invest in Employee training and beef up your IT and system resources to facilitate 24 by 7 banking services via mobile applications and web-based platforms. The quickest, cost-effective way for banks to overcome competition is to quickly create value for their customer base through partnerships with specialized fintech that offer modernized, innovative solutions that deliver unique customer experiences. Some technologies can easily embed into banks' other offerings for virtual banking, payments, lending, and more. Offering an omnichannel customer experience is all about making the same services and products available to customers regardless of the platform or channel. Best-in-class customer experience cannot be achieved in a day or two. Providing a great customer experience is not a destination; it's a continuous journey.

In recent years banks have taken a huge stride to address their gaps in customer satisfaction and customer experience. They have adopted digital technologies and reinvented their mobile Apps, and websites keeping in mind the customer experience. They have introduced a wider range of their banking services like their credit and debit card range keeping in mind their broad range of customers and their preferences. They have improved their customer service by providing round-the-clock service via various channels like phone, email, chat support, and social media.

Many Indian banks have incubated their fintech offerings and are now closing the gap in customer experience and customer service. It would be very interesting to see how the physical bank branches in the future shape out. Their services would shift from banking services, and customer redressal to consultancy services for the customers and on their wealth management.

For instance, Kotak Mahindra Bank has actively worked on collaborations in the area of Data Science, AI, IoT, Blockchain, and Augmented and virtual reality. This has helped Kotak Mahindra Bank to tie up with 27 different digital lending platforms for sourcing loans.

### How does Digital banking create a level playing field for small Banks and new entries?

Digital banking can level the playing field for smaller PSUs and new players by reducing entry barriers, lowering operational costs, increasing competition, and enhancing the customer experience. It takes a great deal of capital, infrastructure, human resources, a network of branches, and regulations which work against small banks and new entries. This leads to the concentration of banking services on a few large banks. Digital banking easily eliminates this concentration by Reducing the entry barrier. They need not invest in traditional branches and infrastructure and bring in funds needed to establish banking services. The automation of many financial services enables a reduction in the capital and human resources needed by these smaller banks, making them more cost-effective.

Digital banking allows for a more personalized and efficient customer experience which can be leveraged by smaller financial institutions. This could be their key differentiator



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### NPCI's 1.1% Interchange Fee on UPI Payments via Wallet – The Watershed Moment for Fintech in India

In the last few years, a large UPI ecosystem has developed in India, where there are several apps through which you can use your bank account and pay via UPI. The phenomenal growth of UPI is reflected in the numbers revealed by NPCI over the years – the platform surpassed 1 billion transactions in October 2019, over three years after its launch in 2016. In July 2021, it reached 3 billion transactions, and in the calendar year 2022, UPI processed over a whopping 74 billion transactions worth Rs 125.94 trillion. But despite such immense growth and world-leading potential, UPI has lacked revenue opportunities, which created monetary problems for banks, payment players, and fintech companies operating in the domain. However, with the new guidelines, wallets have become interoperable on the UPI rail, which means that a wallet is treated like a bank account.

Source- The Financial Express

### Accelerating digital transformation with FinTech and API Banking

India took its first step towards the creation of India Stack over a decade ago. The ambitious project envisioned a full-fledged digital economy, bolstered by a unified software platform. One demonetisation policy and a pandemic later, our country seems to have taken to the digital movement like a duck to water.

Over 72 billion digital transactions were recorded in the 2022 financial year. Digital lending platforms saw a 3X year-on-year increase in disbursements with INR 14,016 crore being deployed in the second quarter this year. It's safe to say that these numbers are only set to rise in the coming years. And API banking will continue to play a crucial role in this trend.

Source: The Times of India

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