

# Digital Transformation in Finance: Challenges and Future in India

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**Abstract-** Digitization is the future. We can't imagine a day without technology. How can you imagine a business surviving without the internet and technology? From the time we wake up to the time we go to bed at night, we are surrounded by technology all day long. Therefore, it is unimaginable to survive as an entrepreneur without making the decision to go digital. To survive in the face of competition and dynamics, companies must change the way they work. Artificial intelligence and automation are the future, and businesses must adapt not only to survive, but to compete successfully. The financial sector is no exception. And to operate successfully and cost-effectively, you need to keep pace with technology.

**Keywords-** 5G systems; Software Defined Networks; 5G- Network; Slice Handover; Machine learning; Network Function Virtualization.

## I. INTRODUCTION

2020 is witnessing the biggest pandemic of the century. Hundreds of thousands of people died in the pandemic and millions suffered from it. It is no exaggeration to say that the Internet alone has provided the opportunity to connect people and work comfortably during this difficult time. Office work, education, fitness centers, etc. were not affected even for a single day. All credits are sent to the Internet.

Give everyone a chance, even those who have lost their jobs. People showed off their talents and made money from them. Despite many challenges during the pandemic, the internet revolution has reached its peak and is transforming the way work is done. Even our small jobs have been replaced by the internet. I can't imagine going a day without the internet and technology.

Similarly, financial markets are no exception. The way we invest in the market is completely different than it used to be. Investing in the market is fairly easy in this day and age. It has everything you need for your

smartphone and internet connection. The developers make the app so easy to use that they even anticipate and organize webinars from time to time to increase member awareness at a very low cost.

## II. LITERATURE REVIEW

A study conducted on technological advancement suggested that "the macro-environmental factors and technology trends that are giving rise to this innovation, and identified some of the key research (technical) challenges that need to be overcome if we want to realize the full potential of the innovation opportunities." [1]

A study conducted on digital financial transformation concluded that "supervision of AI techniques by humans are still necessary while there is no doubt about the usefulness and utility of the digital tools as well as the exciting new possibilities that it brings in terms of financial transformation, finding ways to stay connected with a human centric approach cannot be lost sight of." [2]

A study conducted on digital transformation in finance concluded that "these changes may purport to revolutionize the way an organization manages its financial function and the associated processes, internal controls and financial reporting." [3]

Another study on digital transformation in finance suggested that "every business organization must make use of this power and capabilities to uplift new technologies that can pick up the pace with the digital journey boosting organizational culture and supply flawless customer experiences." [4]

### **III. RESEARCH OBJECTIVE**

The primary objective of this study is to understand the need, trends, impact and challenges of digital transformation in finance.

#### **1. Research Methodology**

This study is conceptual in nature and based on secondary data and the information is based on website and authentic sources.

#### **Need For Digital Transformation in Finance**

The traditional way of doing things is long gone. In many ways, the financial industry is considered to operate under traditional paradigms, but it is one of the fastest-changing sectors and one of the sectors that has greatly benefited from digitization. One. In order to survive in business, it is important to respond to future changes and act proactively. It is not currently excluded from digitization and finance. Digital transformation takes him an hour. Here's why you need it:

#### **Maximum Benefit from Data**

In finance, customer-related data is a goldmine of customer information. If you do not interpret and analyze the data, it is just meaningless data. Digitization acts as a bridge between raw data and intelligence, helping with just about everything from crafting strategies to building better relationships with customers.

#### **Promoting the Products**

Financial services products can benefit enormously from digitization. The company can promote its

products and promote product awareness camps through digitization in cost-effective areas. Digitization allows products to reach large audiences and businesses to profit. (With the help of digitization, the financial sector gets help to develop or grow)

#### **Internal IT Upgradation**

Digitization offers the financial sector an opportunity to improve its internal systems efficiently and comprehensively. Digitization makes it possible to adapt the system to individual needs.

#### **Customer Interactions**

There was a time when the financial industry was one of the most misunderstood industries because it contained jargon and jargon that lay people didn't understand. Digitization offers businesses an opportunity to improve customer interactions. From customer service bots to clear and concise apps and social ads. With the help of digitization, the company is able to reach a wider audience with simple language that customers can easily understand. This allows companies to build ongoing relationships with their customers and maintain higher business value.

#### **Trends in Digital Transformation**

##### **Customer Data Platforms**

In the age of digitalization, data is collected everywhere. To survive in business, companies need access to a lot of customer-related data. Whether a customer buys a product or simply interacts with a company with respect to products or services; Businesses access all kinds of information from them. All companies, large and small, do this. The only difference is how the data is used to gain insight into customer desires and behavior. Interpreting data and making decisions is not a seemingly easy task, but a Customer Data Platform (CDP) makes the process easier and more convenient.

A customer data platform (CDP) is a single source of customer data that businesses can use to create more personalized and engaging marketing campaigns for their customers. It may look like CDP is only used by the marketing department, but it's

not. Finance and IT departments can use CDP to make faster decisions about services, products, and other business investments.

### **Internet of Things (IOTs)**

It refers to a rapidly growing network of connected objects or devices that collect and exchange data using embedded sensors, software, and other technologies over the Internet. Connected devices or objects range from consumer electronics to advanced industrial tools.

Finance sector from IOTs in following ways

- IOT in the financial sector is used to collect and analyze data to generate meaningful information that meets specific needs.
- IOT simplifies daily tasks by reducing the need for human labor. It is also used to solve financial problems such as analyzing savings and spending patterns, evaluating balance sheets, and financial planning.
- These devices can also be used to increase employee productivity and stay connected.
- Offer strong data protection with multiple authentication options.
- It also helps improve risk management by collecting real-time data on client investments.

### **Multi Cloud Networks**

Refers to using one or two private or public clouds to distribute software and workloads within an organization. This Covid19 situation has sparked a move towards adopting multi-cloud architectures to mitigate business continuity risks. This is because organizations are looking for easier ways to manage modern work models that are more focused on remote work and enabling security. A multi-cloud strategy is used for a variety of reasons, including disaster recovery, data residency requirements, and resilience.

### **Contactless Solutions and Digital Payments**

After the abolition, the number of digital payments increased. And during the pandemic it was the only way to survive, and after the pandemic it has become our daily life. The technology behind contactless payments allows users to quickly, safely and conveniently An e-wallet, e-wallet, or mobile wallet

solution that allows you to make payments. Some mobile payments are available. B. Google Pay, Paytm, Razor Pay, etc.

### **Block Chain**

A distributed ledger that records transactions related to digital assets. Once a transaction is recorded on the distributed ledger, it is immutable. Document integrity is preserved on the block chain. This is important for establishing trust in digital assets. It is one of the most promising and innovative technologies because it reduces risk, eradicates fraud and creates transparency in a scalable manner for myriad applications.

Data science, big data, data analytics and artificial intelligence(AI): Data science is a broad field of study that deals with data systems and processes, maintaining data sets and deriving meaning from them.

Big data deals with exponentially growing amounts of data. Traditional data, due to its capacity and power, cannot manage and store or process such data efficiently and effectively.

Data analytics analyzes raw data to draw inferences about the information. It is a broad term that encompasses a variety of techniques for generating insights that can be used to optimize processes or improve the overall efficiency of systems and organizations. Data scientists use data analysis to create reports that help draw inferences.

Artificial intelligence is concerned with building intelligent machines that can perform tasks that require human intelligence. It's the future, and many companies are investing large sums of money in it. Some examples of artificial intelligence are:

Speech recognition, customer service, recommendation engines, automated stock trading,

### **Impact of Digital Transformation**

#### **Huge Investment in Cloud Computing**

Cloud computing has been around for a long time. We know that during the pandemic, investment in

cloud computing shows an increasing trend and a need for it. Many companies invest in cloud computing and related software because of its benefits and cost-effectiveness.

### **Cyber Security**

With the rapid pace of financial transformation, risks and vulnerabilities are also growing rapidly, requiring an upgrade of the cyber securities system to address these issues.

### **Work from Home/Remote Working**

Work from home and remote work became necessary during the pandemic and later became a trend for some companies. According to his June 2020 survey by PWC, "54% of his CFOs plan to make remote work a permanent option."

### **ESG Reporting**

ESG reporting is the disclosure of environmental, social and governance data. Its disclosure requirements aim to increase investor transparency and shed light on the company's ESG activities while encouraging other companies to do the same. Companies can achieve cost savings by reducing physical offices. This may lead to reduced environmental impact and may be part of ESG reporting.

### **Up skilling**

Because the way we do business will change. And business is becoming more dynamic and shifting more and more towards digitalization. Professionals should upgrade their skills according to the requirements. Many apps are working with universities to prepare courses to improve the skills of their staff.

### **Digital Supply Chain Management**

One of the most important factors contributing to a company's profitability is efficient and effective supply chain management. A digital supply chain management system can take your company to the next level by using advanced analytics to assess risk.

### **Challenges before Digitalization**

Digital transformation has profoundly changed the way business is done, whether in finance or not, and

has created many opportunities. But whenever something presents an opportunity, it presents a challenge. The biggest challenges ahead of digitization relate not only to risk and vulnerability, but also to compliance and governance. Some challenges are described below.

- **Infrastructure:** In developing nation there is a dire need of not only in digital infrastructure but also of network expansion of roads and railways which remains a substantial challenge.
- **Data Concentration and Competition:** Large tech have monopolies in this area and they are in position to enjoy a competitive advantage as compared to medium or small organisation.
- **Data Privacy:** Data protection and privacy are the main concerns that arise out of digitalisation, because when an organisation uses internet platform, it exposes itself to additional security threats and privacy issues. Risk of misusing personal information and intellectual property is very high.
- **Expandability:** It refers to transparency through understanding the algorithm decision making process used by the AI model. Entities should be made responsible for providing its consumers and business users with an adequate level of trust and expandability to ensure trust in AI model.
- **Problem of Piracy:** Intellectual property such as copyright may not be adequately protected when such property is transacted digitally.
- **Costly:** It requires strong internet connection and other specialised equipment and teams that makes it costlier.
- **Problem of Anonymity:** There is a need to identify and authenticate users in the virtual global market where anyone can sell to or can buy from anyone from anywhere.
- **Data Loss/Theft/Duplication:** There are chances that data transmitted through internet may be lost, duplicated, tampered or can be replayed.
- **Attack from Hackers:** Web servers are vulnerable to hackers.
- **Non- Recognition of Electronic Transactions:** Some countries don't recognize the digital records.

#### IV. CONCLUSION

As we know, the age of artificial intelligence is coming and we are getting in the way of artificial intelligence. Artificial intelligence is welcomed, not to replace humans, but to upgrade them need to take action. While some jobs will be lost to this digitization, it will also present many opportunities. Digital startups offer employees new and different roles. In order to renew and qualify people, our government is planning to invest INR 18 million in education. Many educational institutions offer analytical courses and training to support the growing demand for analytical skills. Previously, these courses were thought to be for non-financial professionals only. But the scenario has changed completely. Organizations love people who understand technology.

The digitization of finance has begun. Finance teams need to work with robots and other technologies to support end-to-end processes and teach machines how to handle unfamiliar situations. The sooner the world of business and finance embraces and embraces change, the better.

#### Limitations of the Study

The main limitation of this study is that it is based on secondary data and literature review.

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