



# THE FUTURE OF DIGITAL BANKING IN A POST-AI WORLD

## Abstract

With a rapid shift towards digital banking services – fuelled by the pandemic – the post-AI era is poised to reshape the already dynamic landscape of digital banking. Bringing 24x7 accessibility, flexibility, and a customer-centric approach to banking services, innovations in the fintech industry are driving the growth and shaping the future of digital banking. As generative AI platforms continue to take centre stage, conventional banking services can revolutionise customer experience and bring personalised banking services to the masses, which is impossible in traditional banking. Despite the challenges of data security and customer awareness looming large, banks that can adapt to navigate this digital landscape are the only ones that can survive in the digital banking future of the post-AI era.



The way we look at banking today is vastly different than merely five years ago, and things will potentially be radically different as we approach 2030. One of the key catalysts that have accelerated the shift towards the “digital era” of banking is

the unanticipated global pandemic that disrupted the entire world. Moving on from the pandemic, banks are still experiencing continually dwindling numbers of customers visiting physical branches as they have gotten used to the speed and

convenience and firmly believe that digital banking is the future. But many people are still not clear on what exactly it means when they say digital banking.

## What is digital banking?

When we hear the word digital banking or think about digital transformation in the banking industry and infrastructure, the first thing that comes to mind is online banking. Although many people confuse digital banking with online banking, they are two distinct concepts. Online banking – going hand-in-hand with traditional branch-based banking – is just the availability of core banking functions (bill payments, fund transfers, or deposits and withdrawals) online.

Digital banking, on the other hand, refers to an extensive suite of banking services that customers can access through an app or website over the internet. Everything you can possibly do through a physical branch you can avail through the app, thus eliminating the need to visit the branch. Embracing automated processes, digital banking has eliminated the hassle and complexities of paperwork, making banking services more efficient, accessible, and safe. Putting the access and control

of banking and financial services at the fingertips of consumers, digital banking is opening doors for traditional banks to be faster, more agile, and more flexible. With evolving customer expectations, traditional banks embracing the future of digital banking now have the challenge of managing scale, security, service standards, and regulatory compliance as the banking and finance industry continues to evolve in the post-AI world.

## Traits of a truly digital bank

With its increasing popularity, it may feel digital banking is a novel concept that took hold in the 21st century. However, we can trace the dawn of digital banking to the 60s, with the emergence of e-banking in the form of ATMs and cards. This was followed by the introduction of online banking and the establishment of digital-only banks in the 90s. Now, with ease of access and superior internet connectivity, the majority of the customers are using digital banking services in some capacity.

But to truly understand the scope and future of digital banking, we must understand what makes a bank truly digital. The answer is far more complex than simply a functional app or website. Here are some of the fundamental traits of a truly digital bank:

### 24x7 banking

With rapidly evolving banking trends, customers now expect to access banking services anywhere, anytime, without the need to physically visit a bank for any reason. Embracing digital trends in the banking industry, modern banks have now started to offer all services online – without physical paperwork or queues in branches – while using voice, video, or biometrics for authorisation.

### Data aggregation

Data is at the heart of digital transformation in any industry. Only a bank that can effectively collect, analyse, and use customer data to provide a personalised experience can succeed.

### Open banking

Open banking is another key element of the future of digital banking. Acting as a backbone of data aggregation, open banking enables customers to share their financial information with third-party vendors to access services and products beyond the scope of traditional banking while expecting the security standards of a bank.

### Security

Security has always been the top-most priority in the banking industry, which is ever more important in digital banking. Multiple security layers, two-factor authentication, fingerprint scanning, and facial and voice recognition are some of the key security characteristics of new-age banks.



## Rise of fintech driving digital banking evolution

With the rising popularity and prevalence of digital banking, the global digital banking platform market is set to **grow from \$6.9 billion in 2023 to \$11.34 billion in 2027 with a 13.2% CAGR**. But what is driving this growth and evolution in digital

banking? The answer is the rise of fintech. By their nature, fintech companies focus on creating new products and services in response to changing customer demands and technologies. Although it may not be possible for every bank to develop such

specialised tools or products, working with fintech companies can help them build a digital banking future that meets customer needs seamlessly. Examples of fintech shaping the future of digital banking include apps allowing customers to create

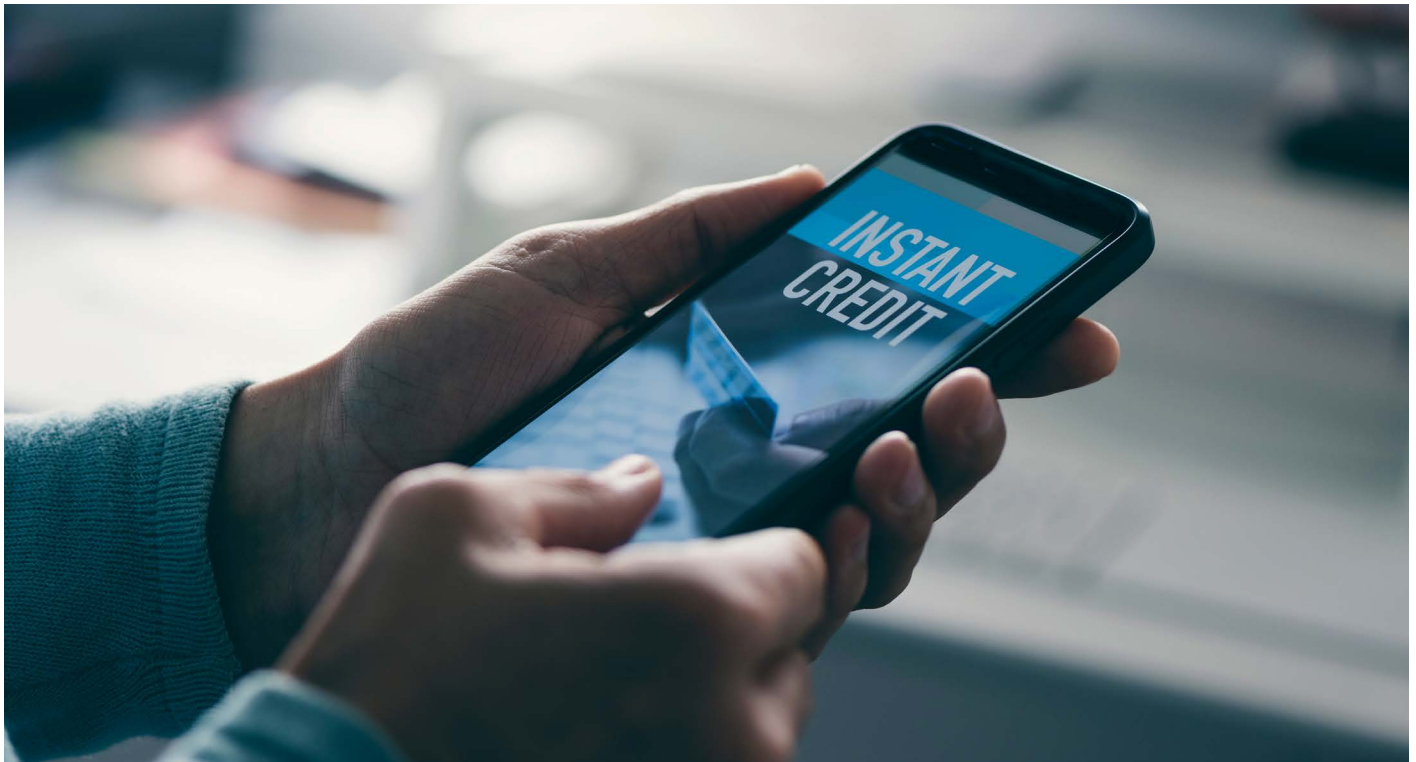


sub-accounts for their unique saving goals, offering advice based on their unique portfolio and financial needs, or facilitating access to lenders as private bankers for each user, providing personalised services. Additionally, with the rising need of the global community to send and receive money internationally, demand for multi-currency cross-border banking services

is increasing. With this increasing need for personalised cross-border banking services, along with advancements in AI and evolving customer expectations, the fintech industry has the potential to shape the future of digital banking with innovation and forethought.

As a result, the banking industry is seeing a rise in Banking as A Platform (BaaP)

services, allowing third-party vendors to serve bank customers effectively. As these BaaP services facilitate data exchange and customer authentication overseas, banks now have the opportunity to extend their customer base, build customer relationships without geographical constraints, and shape the future with digital banking.



## Future of AI in Banking

Customer expectations and experience are at the core of every advancement and evolution in the banking industry, and digital banking is no exception. The recent advancements in AI technologies and generative AI platforms have the potential to revolutionise how digital banking can offer a contextual, personalised, and tailored customer experience. Realising this potential, 56% of the banking professionals recognise that they are employing AI in at least one function – analysing customer data to understand their needs, expectations, and preferences, getting real-time insights into customer behaviour,

automating routine tasks, or providing conversational banking experience – within their organisation.

Some of the common and obvious use cases of AI and generative AI platforms in banking include:

- **Account inquiries:** Customers can use chatbots to review their transaction history, monitor account balance, or retrieve account-related information.
- **Money transfers:** Banks can equip chatbots to transfer funds from one account to another or enable customers to pay merchants directly.

- **Loan applications:** Chatbots can guide customers through the loan application process, educating them about the relevant products and simplifying the actual application process.
- **Credit score monitoring:** A part of the conversational banking experience, chatbots can help customers regularly monitor their credit while giving tips on how to improve their credit score.
- **Financial advice:** Personalised financial advice is no longer something only the wealthy can afford. Banks can – and have – trained chatbots to provide

personalised investment advice and assistance to every customer, helping them make well-informed financial decisions.

- **Fraud prevention:** AI has the potential to address one of the biggest pain points in the banking industry: fraud detection and prevention. AI solutions can help banks monitor transactions and spot suspicious activity significantly faster and accurately to enable stopping any malicious actors.
- **Customer service:** Chatbots that can answer simple questions, fix common

issues, and direct complicated problems to the relevant teams can ensure rapid and effective customer care for an enhanced customer experience.

- **Account management:** A well-trained AI model can help customers manage their accounts effectively, from simply modifying or updating personal information to scheduling automatic payments. This can help banks integrate accessibility and convenience into customer experience.
- **Insurance claims:** Chatbots equipped to deal with the intricacies of

submitting insurance claims and giving customers proper information can help customers find not only the right insurance products but also quick claim processing for enhanced convenience.

- **Financial planning:** Chatbots – combining AI and digital banking tools – can understand the financial goals of customers and help them plan their finances – budgeting, investment, and access to debt – more effectively.

## Challenges and considerations for banks in the post-AI world

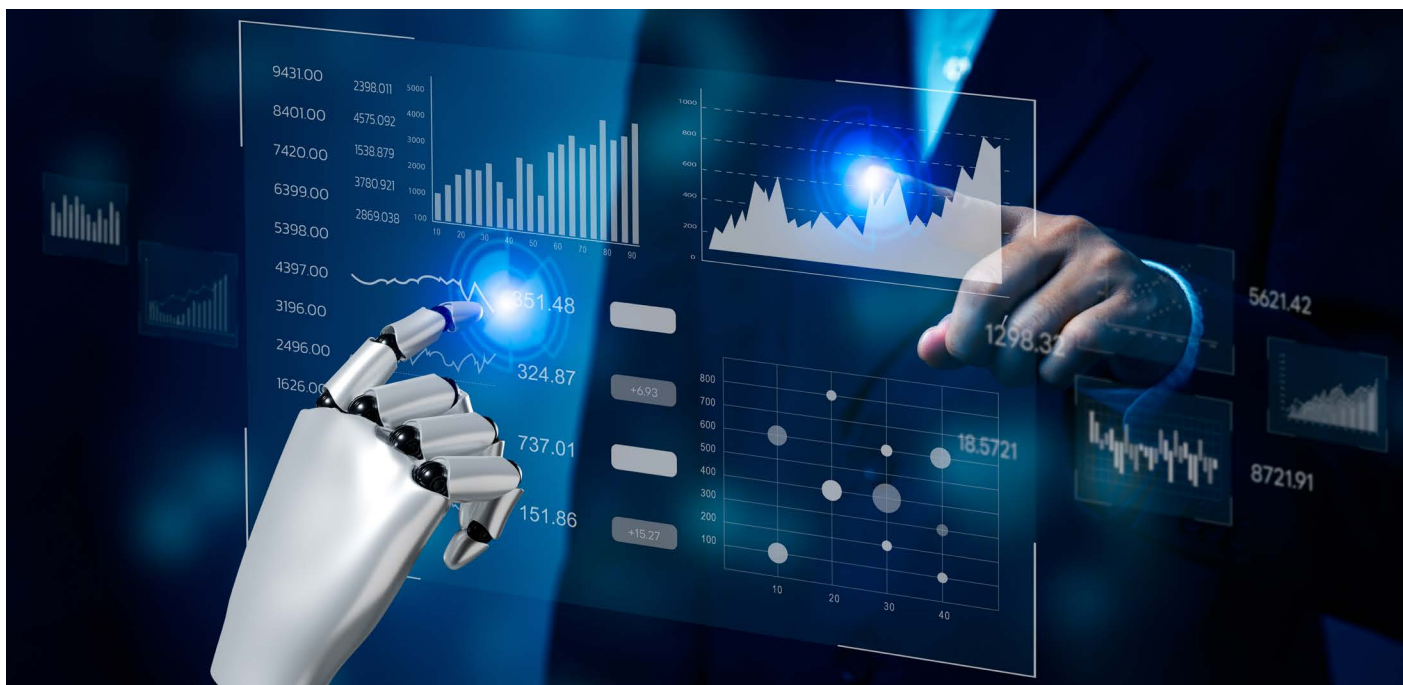
Despite the tremendous potential and inspiring prospects of AI in shaping the future of digital banking and reimagining customer experience, practical implementation can be a challenge. Similar to every other data aggregating industry, data security and privacy remain the top-most challenges for banks to consider in the post-AI world. With AI chatbots and other digital applications collecting customer data with every customer

interaction, securing the chat interface and protecting sensitive data from unauthorised access is crucial.

Other challenges for banks to consider as they embrace digital transformation and generative AI platforms include:

- Training the AI models to understand banking terminology and concepts to ensure appropriate and accurate responses to customer queries.

- Overcoming customer resistance and educating them on the ease of use and benefits of using AI-powered digital banking tools.
- Nurturing natural language processing capabilities of the AI models to understand all customers irrespective of their level of understanding or sophistication when it comes to formal banking terminology.



## Conclusion

The reality of digital banking is that it has – and will continue to – disrupt the financial world as banks and fintech products continue to empower customers to manage their financial well-being with the help of personalised and tailored services. The banks that can leverage digital

solutions and generative AI platforms to create a seamless customer experience will be better equipped to capitalise on the opportunities in the future of digital banking. In contrast, others will face the possibility of becoming obsolete. So, finding the right [BPM service provider](#)

[for the banking industry](#) that can help them embrace digital transformation to reimagine their operating models, augment business performance, and streamline processes to create value is critical when thinking about the future of digital banking.

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