

**POST-PANDEMIC TRANSFORMATION: IMPACT OF COVID-19 ON DIGITAL BANKING SERVICES IN INDIA****Ms. K. Suganya Ph.D.**Full Time Research Scholar, Department of Banking Management,  
Alagappa University, Karaikudi, Tamil Nadu, India 630 002.Email ID: [suganmba06@gmail.com](mailto:suganmba06@gmail.com) Mobile No: 93844 45474**Dr. C. Yogalakshmi,**Senior Professor & Dean, Department of Banking Management, Faculty  
of Management, Alagappa University, Karaikudi, Tamil Nadu. India 630 002.Email ID: [yogalakshmic@alagappauniversity.ac.in](mailto:yogalakshmic@alagappauniversity.ac.in) Mobile No: 94861 88959**ABSTRACT**

The COVID-19 pandemic has disrupted the global economy, negatively affecting most businesses and transforming how people live, interact, and make purchases. In response, banks are tasked with maintaining liquidity, supporting the economy, extending credit to individuals and businesses, and retaining customers. To meet these demands, banks are reevaluating their operations and future strategies. This crisis provides an opportunity to reshape the banking industry by embracing digital transformation, modernizing financial services, fostering skill development, and building long-term relationships with clients. India has emerged as a leader in digital payment growth, surpassing many advanced non-cash economies. The pandemic has accelerated the shift to digital banking, driven by lockdowns and shelter-in-place orders, which forced consumers to increasingly rely on online banking services. This rapid adoption has significantly increased the usage of digital banking channels. As the world moves toward a post-pandemic era, these behavioural shifts, initially fuelled by necessity, are expected to endure. Notably, 85% of consumers who increased their use of digital banking during the pandemic plan to continue doing so in the future. This highlights the growing importance of digital banking in meeting customer needs and enhancing the bank-client relationship. The pandemic has not only emphasized the urgency for banks to digitize but also redefined the banking landscape. This research explores the post-pandemic impact of COVID-19 on digital banking, providing a theoretical analysis of how these changes are shaping the industry's evolution and the future of customer engagement.

**Keywords:**

Digital Era, Modernization, Digital Money, Financial Inclusion, Digital Channels, Digital Payments, Banking Strategies and Liquidity Flow.

**INTRODUCTION**

The COVID-19 pandemic has highlighted deep social inequities, emphasizing the urgent need for digital financial inclusion across governments and institutions. As the pandemic disrupted daily life, consumers sought seamless access to financial services to manage essential tasks. The economic strain amplified the importance of digital transactions, particularly for the underbanked, who faced significant challenges due to limited access to cash and the inability to perform basic transactions during these critical times. As recovery begins, financial institutions and corporations must invest in technology to bridge financial disparities and ensure equitable service access. The pandemic accelerated the adoption of digital banking, leading to a shift in consumer attitudes toward online financial services. Banks responded by upgrading digital capabilities, providing customers with 24/7 access to accounts, transaction management, and communication through mobile and internet banking. Mobile wallets have further transformed the industry, enabling fast, secure, and efficient transactions that enhance convenience for users. Banks have also shifted their focus to delivering value-based services through electronic platforms, gradually replacing traditional banking methods with IT-enabled solutions. Many customers were compelled to adopt digital banking for the first time due to necessity, while others transitioned to digital channels as a preferred option. By embracing digitalized operating models, banks are meeting evolving consumer needs with high-quality, value-added services. Looking ahead, banks must adapt to long-term societal shifts, refining their understanding

of consumer preferences for financial products and services. This study explores the transformative phase of banking operations, emphasizing enhanced and personalized services through technological advancements. It also examines the emergence of new banking trends during the pandemic, underlining the importance of the sector's response to these challenges. The safety, convenience, and relevance of banking products and services will be critical to shaping the industry's future success. Decisions made during this time will define the sector's ability to meet financial demands, promote inclusivity, and ensure customer satisfaction in a rapidly evolving, digital-first world.

#### OBJECTIVES OF THE STUDY

The present study was conducted with the following objectives:

1. To examine the situation of COVID-19 and its impact on digital banking in India.
2. To summarize the post-pandemic effects of digital banking on its users.
3. To highlight the positive digital impacts resulting from the pandemic and evaluate the strategies adopted by banks.
4. To provide recommendations for the optimal use of digital banking in the post-pandemic period in India.

#### LITERATURE REVIEW

**Bank, Canara & Subramani, Parvathi (2021)** conducted a study emphasizing the pivotal role of digital payments during the COVID-19 pandemic. Their research highlights that digital payments offer several distinct advantages over cash, such as ease of transactions, enhanced security, and greater transparency. During the pandemic, the banking sector emerged as a key enabler of digital payment adoption, offering tools like debit cards, mobile banking, and mobile wallets to meet consumer needs. The crisis significantly accelerated the global adoption of digital payment systems, driven by convenience and the public's trust in these methods. Despite the economic downturn caused by widespread business closures and lockdowns, digital payment systems demonstrated their resilience and efficiency. The study emphasizes the necessity for rapid evolution within the digital payments ecosystem during the post-pandemic period to aid economic recovery and adapt to the emerging "new normal." It also explores various types of digital payment systems, their growth trajectory over the past three years, and the potential for further expansion in the years to come.

**Bhasin, Narinder & Rajesh, Anupama (2021)** explored the profound impact of the COVID-19 outbreak, which disrupted daily life globally and affected 185 countries. To contain the virus, governments implemented measures such as lockdowns, work-from-home mandates, and restrictions on movement, which halted most commercial activities. These measures forced financial institutions, banks, and businesses to contend with operational disruptions and financial losses. Their study underscores the importance of collaboration between banks and technology, particularly Fintech, in addressing these challenges. This partnership has enabled the development of innovative solutions that allow banks to mitigate the economic consequences of the pandemic and adapt to the new financial landscape. The researchers highlight the role of digital banking partnerships in helping banks and financial institutions navigate the pandemic's unprecedented challenges while positioning themselves to address the evolving demands of consumers and businesses in India and across the globe.

**Romdhane, Syrine (2021)** examined the transformative impact of information technology and digitalization on financial services within the banking industry. The COVID-19 pandemic has significantly accelerated the transformation of banking strategies and operations. This research aimed to address three objectives: analyzing the influence of IT and digitalization on the banking sector before the pandemic, exploring the challenges banks faced during the pandemic, and identifying implications for banks in the post-COVID era. The findings reveal the dual necessity for banks to balance physical proximity with enhanced digital services. Digitalization, the study argues, is a strategic solution for banks to improve risk management, enhance operational efficiency, and remain competitive. By adopting digital transformation and integrating open, digitized frameworks, banks can mitigate the impact of future crises and convert challenges into opportunities. The research concludes that digital strategies and robust risk management practices are essential for banks to adapt to future crises and strengthen their competitive edge within an evolving financial ecosystem. Collectively, these studies highlight the transformative role of digital payments and banking in addressing the challenges posed by the pandemic. They emphasize the need for technology integration, strategic digital transformation, and collaborative efforts between banks and technology providers to ensure long-term success. These measures will help banks thrive in the post-pandemic era while fostering financial inclusion and adapting to the evolving needs of their consumers.

### COVID- 19 AND DIGITAL BANKING IN INDIA

The COVID-19 pandemic has rapidly accelerated India's shift toward a digital payment ecosystem, promoting "less-cash" alternatives and enhancing the adoption of digital banking methods. This global crisis has transformed daily life and pushed individuals and institutions to embrace new ways of conducting business. Digital banking has played a vital role in this transformation, particularly in the context of online money transfers, which have supported diverse sectors—from policymakers managing financial challenges to citizens using contactless payments for convenience and safety. The pandemic has showcased the importance of digital banking in ensuring smooth transactions despite movement restrictions, reinforcing the value of cashless and contactless methods. This shift indicates that India's digitalization of financial services is here to stay, with more people turning to digital banking for everyday transactions. However, a significant portion of the population remains excluded due to limited access to digital tools and connectivity, highlighting a critical digital divide. While digital banking is proving essential for economic resilience, addressing this gap is key for ensuring inclusivity. As India continues to face the socioeconomic challenges of the pandemic, expanding digital banking will be crucial in modernizing the financial landscape and ensuring that all citizens have equal access to financial services.

### POST-PANDEMIC IMPACTS OF DIGITAL BANKING AMONG ITS USERS

The COVID-19 pandemic has left a lasting impact on the way people engage with financial services, particularly in the realm of digital banking. As the pandemic forced individuals and businesses to adopt new ways of managing their finances, digital banking became an essential tool for many. Post-pandemic, the shift toward online banking has continued to grow, with users increasingly relying on mobile banking apps, digital wallets, and other online platforms to manage their financial needs. One significant impact has been the increased adoption of cashless and contactless transactions. Users have become more accustomed to conducting transactions remotely, and many have embraced the convenience and security digital banking offers. With social distancing measures and lockdowns in place, the need for physical interaction with banking institutions decreased, and digital banking emerged as a safer, more efficient alternative. Additionally, digital banking has provided users with greater access to a wide range of financial services, including online bill payments, loan applications, and investment management. This has allowed individuals to manage their finances from the comfort of their homes, further enhancing the appeal of digital banking. Many users who had previously been hesitant to adopt digital banking are now more comfortable using these platforms, contributing to the widespread growth of digital financial services. However, challenges remain, especially in terms of ensuring equitable access to digital banking services. While urban areas have seen rapid adoption, rural populations with limited access to technology and internet connectivity continue to face barriers. As India continues its digital financial transformation, addressing these disparities will be crucial for ensuring that the benefits of digital banking reach all segments of society.

### POSITIVE DIGITAL IMPACTS BECAUSE OF PANDEMIC SITUATION

The COVID-19 pandemic has ushered in a significant shift in the way banks interact with their customers, requiring them to adopt enhanced technology platforms that streamline customer experiences and make banking more efficient and secure. In the post-pandemic environment, many of the traditional in-person banking transactions and interactions need to be replaced with digital solutions that are scalable, dependable, and accessible. The following elements have become critical in ensuring a seamless and future-ready banking experience:

**Omni-Channel Banking:** In the aftermath of the pandemic, the need for omni-channel banking has become more evident. For banks to provide a seamless and exceptional customer experience, their channels must be integrated. Historically, banks maintained separate channels, each with distinct workflows and support, which led to inefficiency, fragmented customer journeys, and heightened operational costs. To counter this, banks must adopt a digital-first strategy, centralizing customer journeys and experiences into a single hub before dispersing them across multiple channels. Mobile banking plays a pivotal role in omni-channel banking, offering a unique advantage in facilitating near real-time communication, secure access, and user authentication through built-in security features. In the future, banks must focus on creating mobile-friendly omni-channel experiences that can be seamlessly deployed across various digital platforms.

**Modular Banking:** The post-pandemic environment demands more dynamic and flexible banking systems. Legacy bank systems, often monolithic in design, hinder quick adaptability, delaying time to market for new products and services. To overcome this, banks must break down these monolithic systems into smaller, modular components. By adopting a digital-first platform, banks can provide agility and speed in deploying new services

and adjusting existing ones. This modular approach enables banks to respond quickly to changing market demands and compete effectively with digital-only banks. With such a platform, banks can efficiently design and deliver customer-centric solutions, fostering innovation and staying ahead of industry trends.

**Open Banking:** The rise of open banking, particularly driven by regulations such as PSD2 in Europe, has revolutionized the traditional banking model. Previously, banks did not share customer data with third-party providers or competitors, but with open banking, customers can give consent for their data to be shared securely. This shift allows banks to form partnerships with fintechs and other third-party service providers, delivering end-to-end, customized services to their customers. By opening up their APIs and leveraging third-party capabilities, banks can offer better value, enhance customer experiences, and build stronger, long-term relationships with their clients. Open banking will play a crucial role in enriching the banking ecosystem and creating more collaborative and innovative financial services.

**Intelligence-Driven Banking:** As customer interactions with banks become increasingly digital, there is a growing need for personalized experiences. Traditionally, banks have adopted a "one-size-fits-all" approach to customer service and product offerings. However, with the growth of financial penetration and reduced physical interactions, banks now have the opportunity to tailor experiences and services by using data-driven insights. Advanced technologies such as cognitive computing, machine learning, and natural language processing allow banks to analyze consumer data—demographic, transactional, behavioral—and use this information to create unique and personalized banking experiences. In the post-pandemic era, where digital channels are the norm, banks that leverage these technologies will have a distinct advantage in terms of customer satisfaction and retention.

**Cybersecurity in Digital Banking:** While the rapid shift to digital banking has led to increased convenience, it has also raised concerns about cybersecurity. The rise in fintech innovation has, unfortunately, been accompanied by an increase in cyber-attacks and fraud, as hackers exploit vulnerabilities in digital platforms. Banks are investing heavily in robust security measures to protect users' personal information and prevent cybercrimes such as identity theft and financial fraud. Regular updates to online banking platforms, mobile apps, and the use of encryption technologies ensure a higher level of security. However, as no system is entirely immune to cyber-attacks, maintaining vigilant security practices and continuously improving technology is crucial for banks to safeguard their customers' financial data.

In conclusion, the pandemic has accelerated digital transformation in banking, leading to the adoption of omni-channel platforms, modular systems, open banking, and intelligence-driven services. These innovations are reshaping the financial landscape, improving customer experiences, and driving the growth of digital banking. As the sector evolves, banks will need to address the challenges of cybersecurity while continuing to innovate and offer personalized, secure, and seamless financial services in the digital era.

## DISCUSSION AND RECOMMENDATIONS

Banks play a vital role in the economic recovery post-pandemic, with their actions impacting the broader economy. The pandemic has accelerated the shift towards digital banking, and this trend is expected to continue. As digital transactions increase, banks must rethink their operations, focusing on digital banking solutions to cater to evolving consumer preferences. The future of banking will be a hybrid model, combining online and offline services. Banks must modernize their IT infrastructure, provide online access to products and services, and improve digital security and consumer trust. To succeed, they must prioritize digitization and embrace emerging banking technologies.

The study suggests several recommendations for the banking sector:

1. **Secure IT Systems:** Given the importance of mobile banking, banks must ensure secure IT systems to avoid transaction failures or system issues that could damage customer trust.
2. **Promote Online Banking:** Banks should actively market online banking to customers, highlighting its ease of use and benefits.
3. **Digital Transformation:** Banks must focus on migrating traditional services to digital platforms, emphasizing accessibility, transparency, ease of use, and fair pricing.
4. **Customer Education:** Providing more guidance on internet banking, especially for customers unfamiliar with digital technologies, is essential.
5. **Enhance Communication:** To build trust, banks should strengthen communication, explaining the security measures in place to protect online transactions.

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6. **Adapt to Changing Needs:** Banks should become more digitally agile, recognizing and responding to shifting consumer demands.

The banking sector also faces challenges, such as educating rural populations about digital banking and addressing cybercrime risks. To mitigate these challenges, banks must adopt secure frameworks and continuously improve their digital offerings to ensure a safe and reliable experience for all users.

### CONCLUSION

In the post-pandemic era, mobile payments have become increasingly common as people access technology from their smartphones. However, it's essential to ensure that those without access to smartphones or digital payment devices are not excluded from financial services. Financial institutions must address the needs of the underbanked, ensuring they are included in the digital transformation without losing access to traditional banking methods. Budgeting applications, for example, show how banks can expand their role as trusted financial advisors. The COVID-19 pandemic has accelerated the digital shift, with fintech companies leading the charge toward digital financial inclusion. By continuing to innovate and simplify access to services, banks and financial institutions can make banking, payments, and investments more efficient, restoring consumer trust. Digital financial inclusion is not just about making financial services available to low-income or vulnerable individuals but ensuring these services are convenient, secure, and affordable. While it may be too early to fully assess the pandemic's impact on digital banking, it is crucial for banks to align their digital strategies with emerging trends for long-term success. Retail banks that transform into efficient digital organizations will be better positioned to thrive in the future digital financial landscape.

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