

# Impact of Digital Transformation in the Banking Industry on Employee Engagement

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Received: 03<sup>th</sup> August 2024 / Accepted: 04<sup>th</sup> September 2024 / Published: 15<sup>th</sup> October 2024

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**Citation:** D Harnath Reddy (2024). Impact of Digital Transformation in the Banking Industry on Employee Engagement, Journal of Global Management Perspectives, 1(1), 007-015

DOI: <https://doi.org/10.54646/jgmp.2024.02>

**Abstract:** In the banking business, the advent of digital transformation has brought about significant changes in operational processes and staff responsibilities, hence introducing a range of potential advantages and obstacles. The primary objective of this research is to examine the effects of digital transformation on employee engagement within the banking industry. Specifically, the study aims to explore the roles of technology improvements in shaping job satisfaction, work stress levels, creativity levels, and overall employee well-being. Based on a sample size of 400 participants from both public and private banks in India, this study combined purposive sampling and descriptive analysis to assess employee viewpoints on several facets of digital transformation. The results indicate a notable influence on the stability of the group, the effectiveness of communication, and the alleviation of stress. The research also underscores the inherent duality of digital tools, which have the potential to augment both job happiness and creativity, while also requiring a reconfiguration of conventional employment responsibilities. The aforementioned findings highlight the significance of incorporating technology alongside a human-centered methodology in order to optimise the advantages of digital transformation.

**Keywords:** *Digital Transformation; Banking Industry; Employee Engagement; Job Satisfaction; Technological Advancement; Work Stress; Creativity; Communication Efficiency.*

## INTRODUCTION

The emergence of digital transformation has significantly transformed the banking sector, resulting in changes to both operational processes and the occupational responsibilities of those working in financial institutions. The incorporation of electronic banking distribution channels has brought forth a variety of technological advancements that enhance the efficiency and automation of wide-ranging banking procedures [2]. It was elucidated that the significant contribution of computers in the automation of repetitive operations that conform to defined protocols, including data entry and transaction processing [3]. The implementation of automation has significantly reduced the need for manual interventions in traditional banking operations, leading to a substantial transformation in employment roles and responsibilities, which in turn has impacted employee engagement by reshaping their daily tasks and interactions.

It was examined that the impact of technological improvements on the demand for specific jobs, as well as the emergence of novel opportunities in many domains [3]. The implementation of electronic banking systems has resulted in a decrease in the need for manual tasks such as letter drafting, document signing, and fax machine usage. Consequently, this change in attention has shifted towards more intricate activities that are driven by technology. The transition to electronic banking is not devoid of issues, since the effects of this technology on staff responsibilities continue to be a subject of continuing deliberation. The contention put up is that although automation improves operational effectiveness, it also requires a reassessment of job roles and employee involvement within the sector.

Recent scholarly investigations have brought attention to the inherent duality of the effects of digital transformation on employee engagement. The integration of digital tools within the banking sector has been associated with heightened levels of productivity and enhanced business performance outcomes [9]. Furthermore, these technological developments

have typically resulted in improved customer service and satisfaction, hence exerting a beneficial impact on employee performance and the quality of service provided. Nevertheless, a significant void remains in the existing body of scholarly work concerning the precise impacts of digital banking on the daily experiences and levels of engagement among employees. The necessity for continued study that specifically examines the effects of digital technologies on employees' work lives and overall job satisfaction [6].

In order to effectively tackle these new difficulties, it is imperative for financial institutions to embrace a holistic strategy towards digital transformation. The proposed strategy should encompass the cultivation of a pro-digital mindset among employees, with an emphasis on the ways in which technology may augment productivity rather than only introducing change. Additionally, it is crucial to ensure that technological tools are specifically tuned to meet both customer satisfaction and employee usability. Furthermore, it is imperative to prioritize the enhancement of work conditions and the cultivation of a harmonious work-life equilibrium for employees by leveraging digital resources. Through an examination of these various facets, the primary objective of this research endeavor is to offer significant perspectives on the impact of digital transformation on employee engagement, as well as to propose effective strategies for banks to facilitate this transition for their staff.

### Objective:

To study the impact of digital transformation in the banking industry on employee engagement.

### Hypothesis:

There is a direct relationship between employee engagement and organizational performance of digitally transformed banks.

## REVIEW OF LITERATURE

This literature review aims to provide a comprehensive understanding of the intricate relationship between technological advancements and employee engagement in the banking sector.

A study examined the perspectives of Pakistani bankers with regards to electronic banking. The authors emphasize the notable benefits of time savings and reduced transaction costs, while also identifying data access risks as a main point of concern [5].

It was extensively examined that the intricacies affiliated with electronic banking, with a particular focus on the challenges and technical barriers faced by financial professionals in the banking industry [7].

It was emphasized that the importance of employee attitudes in embracing change, emphasizing the crucial role of sufficient training in enabling effective adjustment to digital transformations [4].

The authors of a study argued that the process of digitization has a significant role in driving the development of innovative business models within the banking industry. Despite apprehensions regarding probable job displacement, a considerable proportion of employees express their support for the transition [6].

The significance of change management in the digital transformation process is underscored [1] provides evidence of a correlation between the perceived ease of use and the adoption rate of digital banking practices.

A comprehensive analysis was conducted of the various factors that influence the adoption of technology, with a particular emphasis on the significant role played by perceived usefulness as a consequential determinant [8]. The literature review reveals that there is a significant level of employee support for digitization within the banking industry [9]. Nevertheless, the authors acknowledge that there are restricted opportunities for obtaining feedback on innovative procedures.

## METHODOLOGY

- The technique employed in this study entailed the selection of participants from a diverse range of public and private financial institutions in India.
- The target population was selected to represent the current state of India's banking system, which comprises 12 public sector banks and 21 private sector banks as of May 2022. The study sample consisted of 400 participants,

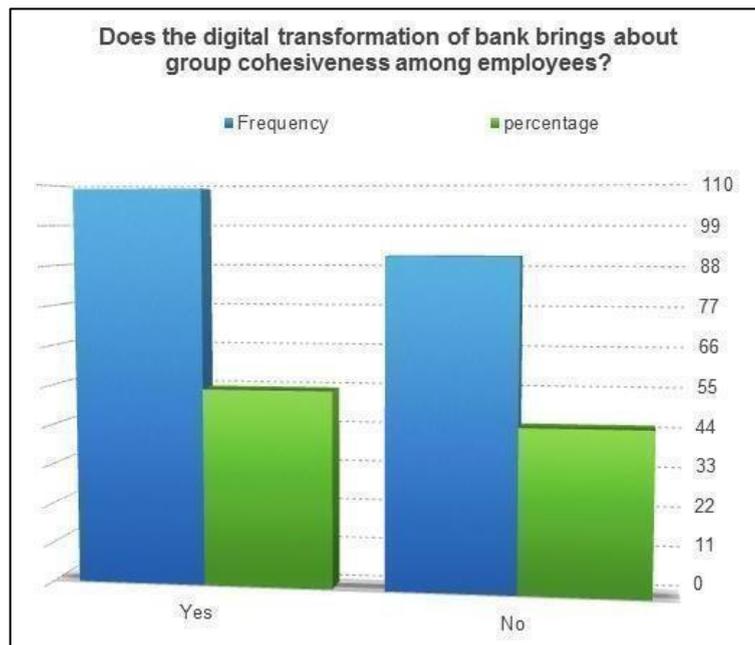
evenly divided between bank executives responsible for Internet banking services and clients of these institutions.

- The researchers utilized purposive sampling as a method to selectively target a certain cohort of bank employees that aligned with the aims of the study.
- Surveys were employed as the primary method for data collecting, and the collected responses were subjected to descriptive analysis.
- This involved the computation of frequencies and percentages to get insights into the distribution and patterns within the data.

## RESULTS

The present study aims to examine the perspectives of employees regarding digital transformation in the banking industry, with a specific focus on its impact on various organizational aspects like group cohesiveness, communication, stress levels, and overall job satisfaction. Through the examination of survey data, this study seeks to elucidate the impact of digital innovations on several aspects of employees' work experiences, including the mitigation of stress and disorder, as well as the augmentation of job contentment and creativity. The results of this study offer valuable insights into the complexity of the effects of digital transformation, highlighting the presence of both favourable and neutral reactions across all aspects of employee engagement.

- As per the employee's perspective, 109 (54.5%) respondents feel that the digital transformation of bank brings about group cohesiveness among employees, while 91 (45.5%) disagree to the same (figure 1).



**Fig. 1.** Does the digital transformation of bank brings about group cohesiveness among employees?

- As per the employee's perspective, 100 (50%) respondents feel that the digital transformation of bank helps to communicate efficiently with peers, while 100 (50%) disagree to the same (figure 2).

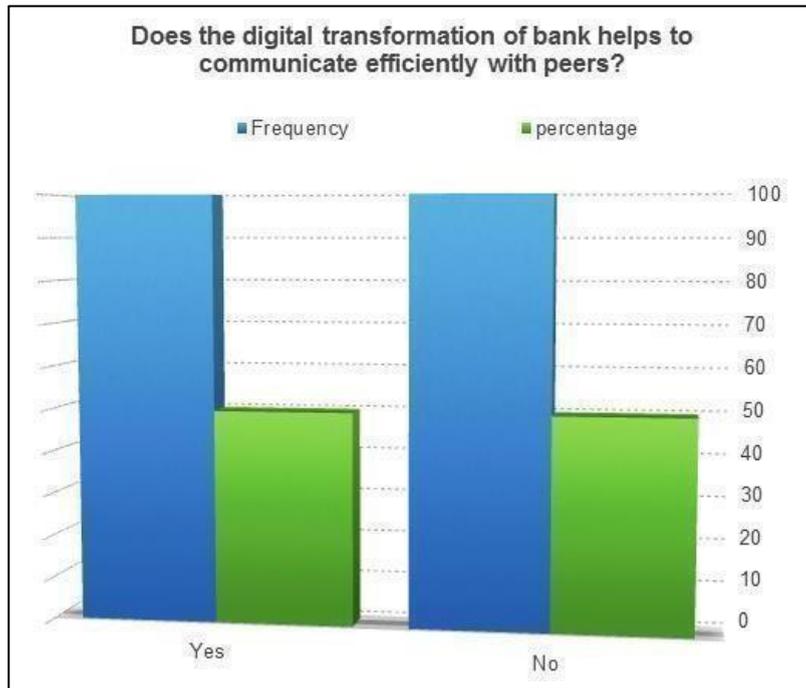


Fig. 2. Does the digital transformation of bank helps to communicate efficiently with peers?

- As per the employee’s perspective, 152 (76%) respondents feel that the digital transformation of bank help in reducing work stress, while 48 (24%) disagree to the same (figure 3).

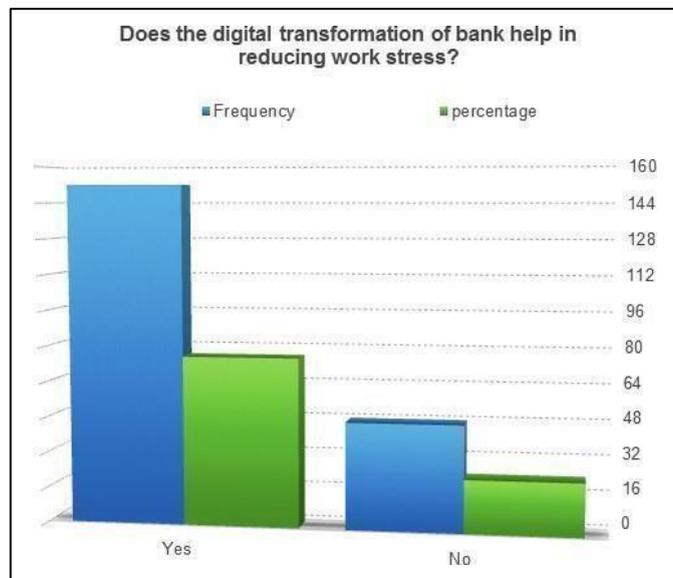


Fig. 3. Does the digital transformation of bank help in reducing work stress?

- As per the employee’s perspective, 148 (74%) respondents feel that the digital transformation of bank help in reducing chaos and confusions among employees, while 52 (26%) disagree to the same (figure 4).

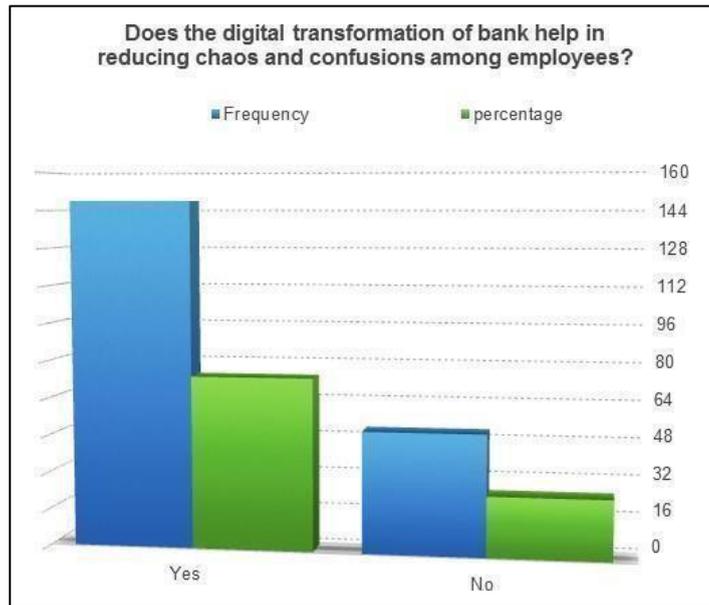


Fig. 4. Does the digital transformation of bank help in reducing chaos and confusions among employees?

- As per the employee's perspective, 96 (48%) respondents feel that the digital transformation of bank increase interest in work, while 104 (52%) disagree to the same (figure 5).

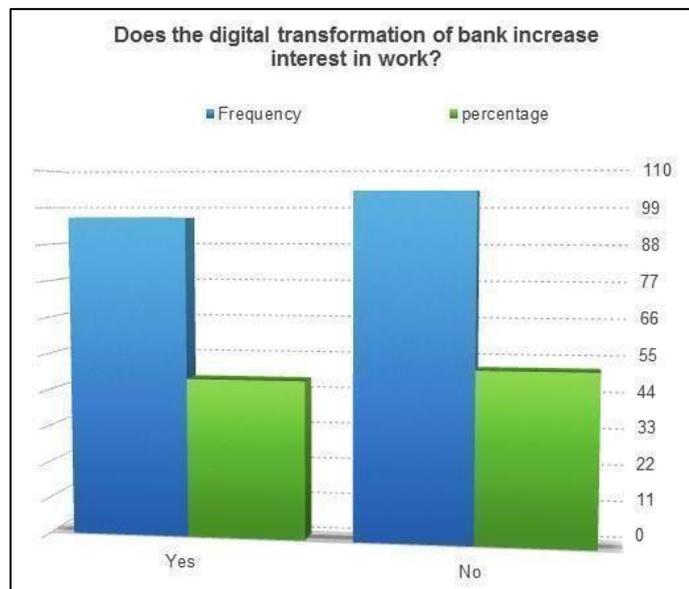


Fig. 5. Does the digital transformation of bank increase interest in work?

- As per the employee's perspective, 196 (98%) respondents feel that the digital transformation of bank increases level of job satisfaction of employees, while 4 (2%) disagree to the same (figure 6).

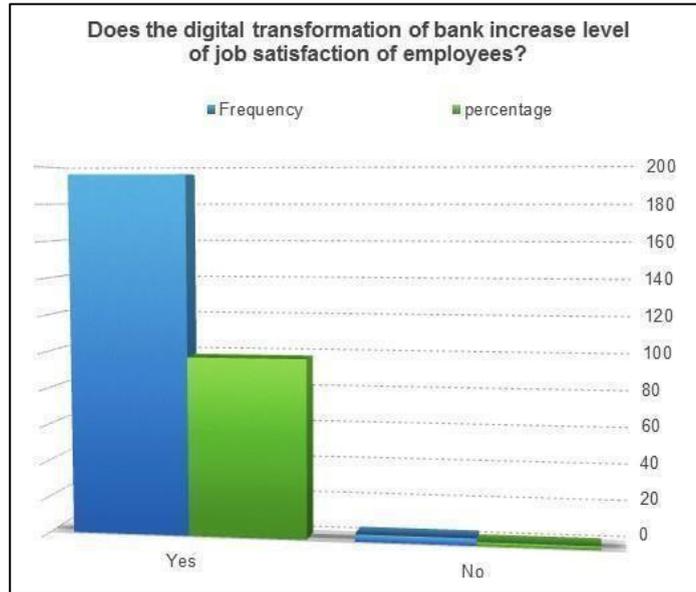


Fig. 6. Does the digital transformation of bank increase level of job satisfaction of employees?

- As per the employee’s perspective, 136 (68%) respondents feel that the digital transformation of bank enhance creativity of employees, while 64 (32%) disagree to the same (figure 7).

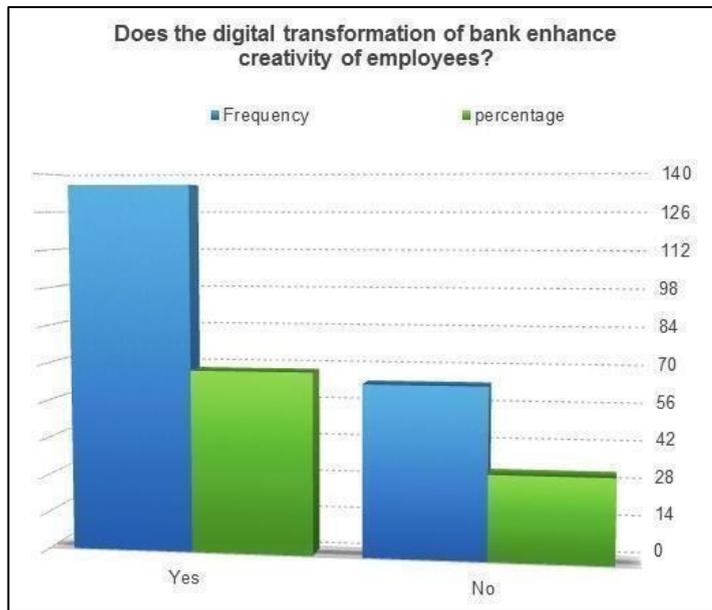
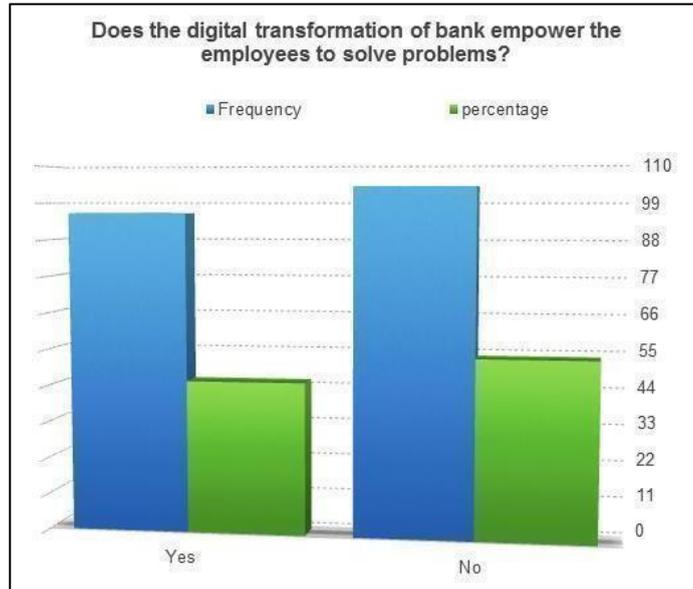


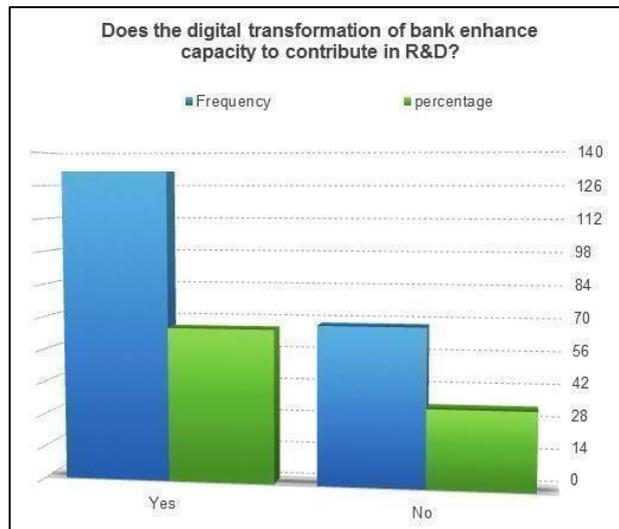
Fig. 2. Does the digital transformation of bank enhance creativity of employees?

- As per the employee’s perspective, 96 (48%) respondents feel that the digital transformation of bank empowers the employees to solve problems, while 104 (52%) disagree to the same (figure 8).



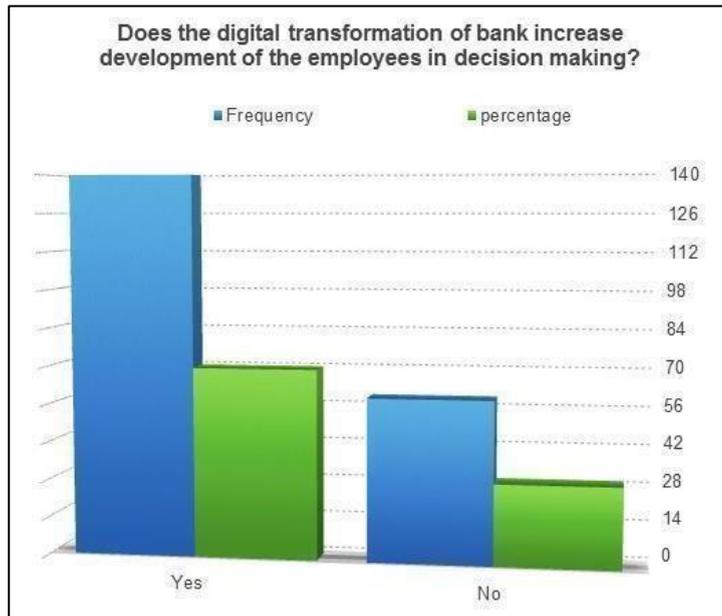
**Fig. 8.** Does the digital transformation of bank empower the employees to solve problems?

- As per the employee's perspective, 132 (66%) respondents feel that the digital transformation of bank enhance capacity to contribute in R&D, while 68 (34%) disagree to the same (Figure 9).



**Fig. 3.** Does the digital transformation of bank enhance capacity to contribute in R&D?

- As per the employee's perspective, 140 (70%) respondents feel that the digital transformation of bank increase development of the employees in decision making, while 60 (30%) disagree to the same (Figure 10).



**Fig.4.** Does the digital transformation of bank increase development of the employees in decision making?

The results suggest a varied reaction among employees, with a significant majority recognising the favourable consequences of digital transformation on job satisfaction and creativity, while a portion remains sceptical regarding its influence on problem-solving and work engagement.

## DISCUSSION

The findings derived from this research demonstrate a strong correlation between digital transformation and employee engagement, with a particular emphasis on the reduction of stress. The mitigation of workplace stress is a crucial factor in bolstering employee engagement and counteracting turnover rates. These findings highlight the substantial impact of digital transformation on the restructuring of workplace dynamics and the enhancement of employee experiences. When undertaking the process of digital transformation, it is imperative to take into account the impact of technical tools and networks on the level of employee engagement. The capacity to foster innovation inside an organization is crucial for achieving effective digital transformation, as it enables varied teams to generate original ideas and derive valuable insights from previous errors.

It is imperative to examine the influence of digital transformation on employee engagement within the framework of how automation has facilitated the transition of manual jobs towards more streamlined and effective procedures. This transition facilitates increased operational efficiency, enabling employees to accomplish a greater workload within a reduced timeframe, so fostering enhanced work-life management and an overall improvement in work-life balance. Notably, the process of digitalization within financial institutions is generating novel employment prospects while simultaneously transforming conventional work responsibilities. The use of an appropriate employee engagement platform can bolster the optimization of procedures aimed at cultivating team trust, collaboration, and ongoing feedback. This can prove advantageous for banks as they traverse a historically demanding industry characterized by increased staff turnover. Hence, these data confirm the validity of the objective to examine the influence of digital transformation on employee engagement and the hypothesis that there exists a direct correlation between employee engagement and organizational performance in digitally transformed banks.

## CONCLUSION

The banking sector has undergone a significant digital change, resulting in a fundamental reconfiguration of employee roles, responsibilities, and workplace engagement. The findings of this study indicate that advances in technology have resulted in enhanced efficiency, enhanced communication, and decreased work-related stress. However, these developments have also presented difficulties pertaining to employee adaption and job satisfaction. The results highlight the significant significance of adopting a well-rounded strategy for digital transformation, which encompasses not only the optimisation of operational effectiveness but also the incorporation of human factors. To optimise the advantages of

digital tools and sustain a motivated workforce, it is imperative to ensure that employees possess the requisite skills, receive adequate training support, and are actively involved in relevant learning experiences. Furthermore, the disparate reactions pertaining to heightened job engagement and enhanced problem-solving capabilities underscore the necessity for additional enhancement of digital strategies in order to more effectively cater to the requirements of employees. In the context of the ongoing digital transformation, it is imperative for banks to prioritise the cultivation of a conducive work environment that encourages creativity, cooperation, and innovation. This technique has the potential to not only augment employee engagement but also make a significant contribution to the overall success of the organisation. In essence, the efficacy of digital transformation within the banking sector is contingent upon its capacity to integrate technical progress with the welfare and involvement of its personnel.

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