

## Banking on Canadians – The Move to Digital Transformation



According to a study by the Canadian Bankers Association (CBA)\*, the evolutionary digital transformation witnessed since the pandemic has caused an irreversible shift in the way Canadians do their banking. Anthony G. Ostler, President and CEO of the Canadian Bankers Association, said “The growth of digital channels signifies a rising preference for tech-driven banking services among Canadians.”

In the last year, 87 percent have banked online with banking behaviours migrating towards more app-based transactions. Younger adults (ages 18-29) are more likely to use apps while older adults (ages 70+) do more online banking. The widespread use of smartphones has made the use of mobile apps increasingly popular.

To remain competitive in an increasingly complex world, it’s essential that banks continue to find ways to use the latest technology and data to satisfy an increasing customer need for seamless “on the go” transactions.

### **What are examples of digital transformation in banking today?**

- *Mobile banking:* The CBA survey shows a shift in preference from using online banking to mobile banking apps. Canadians can perform many tasks using their mobile devices through digital platforms that incorporate strict security measures to protect users' sensitive information
- *Digital payment systems:* Close to one third of respondents expect to be using some form of digital or crypto currency, although this is down 4 percent from 2021. The use of tap and pay with credit and debit cards remains strong. Growing numbers of users are embracing digital payment methods with 40 percent planning to increase their use of e-transfers in the next five years
- *Artificial Intelligence(AI):* Used for fraud detection, personalized financial advice and chatbots for customer service
- *Blockchain:* A blockchain is a decentralized public ledger distributed across a secure network that has become popular in its use with cryptocurrencies. Financial institutions use blockchain to ensure secure and transparent transaction management
- *Open Banking:* Canada is looking at open banking models to promote better competition and innovation by allowing third-party providers access to financial data

### **What are some of the key drivers in the digital transformation of banking?**

- *A shift in customer expectations:* [87 percent of millennials and Gen Z customers value convenience when using technology](#). To keep up with modern audiences, financial institutions need to continually innovate and find ways to make banking accessible and convenient
- *The rise of fintech:* Fintech is where finance and technology intersect. Fintech companies provide services through AI automation, security (multi-factor authentication), analysis of big data, personalized finance management tools and blockchain technology (popular for its use with cryptocurrencies)
- *Cloud computing:* Digital transformation initiatives require modern architecture to support them. The cloud offers greater flexibility, scalability and speed-to-market. It's secure and efficient as it doesn't rely on physical infrastructure to store data
- *Competitive Landscape:* The shift to digital banking is putting pressure on more traditional banks to maintain market share. This offers new opportunities to build on the momentum and power growth

### **What are some of the challenges in the race towards digital transformation?**

- *Cybersecurity and fraud prevention:* With the rise in digital banking, cybersecurity has become a top priority. To combat this, technologies like biometric authentication, multi-factor authentication (MFA) and real-time fraud detection systems are being deployed

- *Regulatory landscape and open banking initiatives:* The move towards open banking will bring on the need for more regulatory changes. As of 2024, the government plans to [expand the mandate of the Financial Consumer Agency of Canada \(FCAC\)](#) to include oversight of open banking and establish the framework with respect to privacy and security safeguards. Regulatory bodies such as the [Office of the Superintendent of Financial Institutions \(OSFI\)](#) are also overseeing these transformations to ensure security and compliance
- *Limited size of the Canadian banking sector:* With only a few players in the market, the pace of innovation can be slow. Few best practices or industry standards emerged with most players operating in “silos”
- *Culture and Organizational Change:* Innovation often means getting buy-in from employees and clients. Certain initiatives might require a degree of organizational change as they affect operations and/or integration into existing technology

Despite the inevitable challenges, it seems that digital banking is here to stay. 97 percent of Canadians say they are satisfied with online banking. Consumers are now used to the convenient ways they can access their banking needs online and through apps. Moving forward, the banks that can leverage technology to meet both customer demands and regulatory requirements will be the winners in the race for a cutting-edge digital experience.

\*[Use of Digital Banking has Become Habitual Post-pandemic: CBA Survey | Use of Digital Banking has Become Habitual Post-pandemic: CBA Survey](#)