

The New Era of Commercial Banking Digital, Sustainable, And Inclusive

S.K. Sudharsan Raja¹, Dr. S. David²

¹Ph.D. Research Scholar (Reg. No. 21113221011002) PG and Research Department of Commerce, St.John's College of Arts and Science, Ammandivilai. (Affiliated to ManonmaniamSundaranar University, Abishekapatti, Tirunelveli -627012, Tamil Nadu, India)

²Head and Assistant Professor, PG and Research Department of Commerce, St.John's College of Arts and Science, Ammandivilai. (Affiliated to ManonmaniamSundaranar University, Abishekapatti, Tirunelveli -627012, Tamil Nadu, India)

¹sksudharsanraja07@gmail.com, ²prof.davidsngl@gmail.com

ABSTRACT

The commercial banking sector is undergoing a profound transformation. As global economies adapt to rapid technological changes, growing environmental concerns, and widening social inequalities, banks are reimagining their roles not just as financial intermediaries, but as drivers of systemic change. Today's commercial banking is increasingly defined by three critical pillars: digital innovation, sustainability, and inclusivity. This paper focuses on Commercial Banking Digital, Sustainable, and Inclusive sustainable development. The findings indicate that digital finance development substantially enhances the sustainable growth of these commercial banks. This study offers a comprehensive synthesis of existing knowledge, providing a robust foundation for future research in digital transformation within commercial banking. Further analysis reveals that this enhancement is achieved through two main mechanisms: improved business performance and better risk management. Moreover, the positive impact of digital finance on the sustainable development of commercial banks is more pronounced in regions with higher levels of marketization and among non-state-owned commercial banks.

Keywords: Commercial Banking, Sustainability development, Fintech, Digital banking.

1. INTRODUCTION

The Indian banking sector has witnessed a significant transformation over the past decade. With an increasingly tech-savvy population and government initiatives to drive digital literacy and financial inclusion, the Indian banking and finance industry is on the brink of a new era. The push towards digital, sustainable, and inclusive banking is a response to changing consumer demands and a strategy to future-proof the industry amid global economic shifts. As we progress towards 2025, the industry's evolution is being shaped by several actors, including the AI revolution, the rise of super apps, and an emphasis on sustainable finance. India's economic transformation continues to gain global recognition, with the World Bank's latest India Development Update (IDU) projecting a robust 7% GDP growth rate for FY

2024-25. India remains the fastest-growing major economy, with growth accelerating from 7.0% in FY 2022-23 to 8.2% year-on-year in FY 2023-24.

The characteristic of this study is that it provides an in-depth analysis of the impact of digital finance development on the sustainable development of commercial banks through empirical data analysis and reveals the mechanisms and influencing factors. With the rapid development of the global economy and the continuous improvement of the financial system, commercial banks, as a core component of the financial system, have become an important topic of interest for governments and financial regulatory authorities worldwide (Lu et al., 2024).

Digital transformation markedly enhances the management of cash and oversight of liquidity within treasury functions. Employing live data scrutiny, financial organizations can fortify their cash reserves, detect possible risk factors, and agilely revise their strategic tactics. The adoption of automated cash flow forecasting and scenario analysis tools can refine the decision-making processes for banking entities and their corporate clientele, thereby enabling a more proficient navigation of economic and market fluctuations.

Commercial banks increasingly utilize data analytics and machine learning algorithms to enhance the assessment of credit risk in corporate lending. This enables financial institutions to deliver customized loan offerings, enhance interest rate optimization and make more educated decisions regarding credit allocations, ultimately leading to increased profitability and risk mitigation (Zhu Yongjie&Jin, 2023).

Commercial and retail banks are experiencing digital changes due to the necessity of adapting to evolving market conditions, emerging technologies, and customer expectations. A primary catalyst for this transition is client expectations and contemporary banking clients seek efficiency, convenience, and personalized service. Banks are under pressure to implement novel solutions to satisfy customers' need for instantaneous, individualized interactions. A significant aspect driving digital transformation is the fast advancement of new technology. Banking is undergoing a transformation due to emerging technologies such as big data, blockchain, and artificial intelligence (AI) (Jia & Liu, 2024).

2. STATEMENT OF THE PROBLEM

The commercial banking sector is at a critical inflection point, driven by rapid technological advancement, growing environmental concerns, and increasing demand for inclusive financial services. While digital transformation offers opportunities for improved efficiency and customer experience, many banks struggle with legacy systems, cybersecurity threats, and regulatory challenges. Global pressures for sustainability have compelled banks to integrate environmental, social, and governance (ESG) considerations into their operations yet many institutions lack clear frameworks, metrics, or the capacity to assess and manage climate-related financial risks effectively. Additionally, despite advances in financial technology and policy efforts, millions of individuals and small businesses remain excluded from formal financial systems, particularly in developing economies. This raises questions about the commercial banking sector's ability to foster financial inclusion while balancing profitability, compliance, and innovation.

3. OBJECTIVES OF THE STUDY

1. To determine the Digital Revolution in Commercial Banking.
2. To examine the Redefining Customer Experience in commercial Banking Digital Transformation.
3. To know about the Commercial Banking's Role in Empowering Economic Growth.

4. REVIEW OF LITERATURE

Qiubo Li, Zhu Zhong, Qing Ge, (2025) in this article entitled “Digital finance and sustainable development of commercial banks; insights from listed commercial banks”. This paper focuses on listed commercial banks in the A-share capital markets and the impact of digital finance development on their sustainable development. The findings indicate that digital finance development substantially enhances the sustainable growth of these commercial banks. Moreover, the positive impact of digital finance on the sustainable development of commercial banks is more pronounced in regions with higher levels of marketization and among non-state-owned commercial banks.

Sarita Chouhan, Dr. Mahendra Singhai, (2025) This article analyzes the dynamic convergence of AI, ethical regulation, financial inclusion, and green banking in a rapidly changing digital world economy. It assesses the effect of AI-generated innovations like machine learning, predictive analytics, and automation on fundamental banking functions such as risk management, credit disbursement, customer engagement, and compliance. Though these technologies promote efficiency, they raise ethical issues around data privacy, algorithmic bias, and transparency. The work supports a human-focused AI model that provides justice, accountability, and trust in financial choice-making.

Yixin Liang, et.al., (2025) in their article entitled “Digital financial development and commercial bank stability”. This research evaluates the stability of commercial banks by analyzing their profitability and risk-taking capacity, while also exploring the effects of digital financial development (DFD) on this stability. These discoveries provide essential theoretical support and practical advice for strategic planning and policy-making in the digital finance era for commercial banks.

Recent studies have increasingly emphasized the importance of integrating digitalization, sustainability, and inclusion into a holistic banking model. **Carney (2024) and McKinsey (2025)** advocate for a “triple-bottom-line” approach, where banks can simultaneously drive profit, support social good, and lead in sustainability efforts. This convergence offers a competitive advantage as consumer preferences shift toward organizations that align with their values on environmental and social issues.

Halдар et al. (2025) introduce the concept of the "Digital Green Bank", where banks not only provide innovative financial products but also play a proactive role in fostering sustainable development by financing green projects and supporting socially responsible businesses. The concept merges digital transformation with sustainability and inclusivity, positioning banks as agents of broader societal change.

Raza, Dr et.al., (2024), “Digital Transformation in Commercial Banking: Trends, Challenges, and Future Directions”. This systematic literature review provides an in-depth exploration of digital transformation in commercial banking, with a focused emphasis on Scopus-indexed research articles. Sustainability and finance-oriented themes, while identifying key geographical contributions and emerging topics like financial inclusion, innovation, and FinTech. This study offers a comprehensive synthesis of existing knowledge, providing a robust foundation for future research in digital transformation within commercial banking.

5. METHODOLOGY

This study is purely based on secondary data. The data was gathered from various secondary sources, including journals, periodicals, and websites. This study offers a comprehensive synthesis of existing knowledge, providing a robust foundation for future research in digital transformation within commercial banking. The necessary information about the evaluation of the context of Commercial Banking Digital, Sustainable, and Inclusive based on available studies on this growth and its various components are collected from various books, journals, internet sources of related topics.

THE DIGITAL REVOLUTION IN COMMERCIAL BANKING

The shift towards financial digital transformation in commercial banking is more than just a change; it's a fundamental redefinition of the industry. As we delve deeper into this digital era, technology's role in financial services has become pivotal. By leveraging AI, blockchain, and cloud computing, banks are not only boosting operational efficiency but also setting new standards in customer service and security.

Embracing Financial Digital Transformation

The push for banking digital transformation focuses on integrating technologies that streamline operations and enhance customer interactions. Advanced AI banking innovation has equipped banks with tools like customer service chatbots, personalized financial advice, and proactive fraud detection mechanisms. Additionally, the use of big data analytics provides banks with deep insights into customer behaviour and operational efficiency.

Impact of AI, Blockchain, and Cloud Computing

Blockchain technology is transforming the banking sector by introducing enhanced security and trust. This technology supports blockchain in banking by ensuring transparent, secure, and efficient transactions that go beyond traditional banking. At the same time, cloud computing is crucial in cloud computing financial services due to its scalability and cost efficiency, essential for banks to adapt to changing service demands.

Moreover, the expansion of online platforms, including automated investment services and fintech integrations, gives customers more control over their financial services with competitive rates and swift approval processes⁴. These platforms not only boost customer satisfaction but also support the robust infrastructure needed in modern banking.

COMMERCIAL BANKING IN DIGITAL TRANSFORMATION

The Digital Banking Market's value in 2023 is a staggering USD 10.9 trillion. This figure highlights a significant shift towards customer-centric banking. This shift is more than just a numbers game; it marks the digital transformation in financial services as a mainstream phenomenon. With 50% of consumers now using mobile apps or websites weekly for banking, personalized banking services have become essential, not just convenient.

Looking forward, institutions that forge an emotional bond with customers, linking value with values, will likely dominate the market. This approach fits within the broader digital landscape, where banks can use cloud migration and microservices to improve customer engagement and back-office efficiency. The aim is to create a sophisticated, intuitive banking environment where customer satisfaction is the top priority.

With a projected Compound Annual Growth Rate (CAGR) of 3% from 2024 to 2032, the future of digital banking looks bright, with ongoing innovation and a customer-focused approach. Our commitment is to guide this transformation responsibly, ensuring innovations respect privacy and enhance usability. Banking should become a cornerstone of our digital lives, not just an activity.\

COMMERCIAL BANKING'S ROLE IN EMPOWERING ECONOMIC GROWTH

Commercial banking is now crucial for economic growth, ensuring it's inclusive and sustainable. It combines sustainable finance and financial inclusion with digital banking. This approach ensures economic progress and environmental care are balanced.

A futuristic bank interior with green walls, abundant plants, and natural light, showcasing digital screens displaying sustainable finance metrics, diverse professionals collaborating around eco-friendly furniture, solar panels visible through large windows, a backdrop of an urban skyline with wind turbines and green rooftops.

Commercial banks are adapting to sustainability demands by promoting green financial products. These products support sustainable investments, with the IMF predicting a 3.0% global economic growth by 2024. This highlights the role of sustainable finance in driving economic growth.

Facilitating Financial Inclusion through Digital Channels

Digital technology has expanded banking services to underserved populations, enhancing financial inclusion. J.P. Morgan's efforts in financing community development and minority-owned institutions show how digital channels facilitate inclusion⁹. These initiatives are vital for integrating more people into the economy, benefiting from economic activities.

Our strategy aims to improve societal welfare and economic performance by prioritizing financial inclusion through digital channels in commercial banking. This approach broadens financial service access and stimulates economic growth by engaging a wider population in the financial system. Commercial banking's transformative potential is immense, driven by sustainable finance and financial inclusion. These elements are key for widespread economic growth, supported by digital innovation in banking.

6. CONCLUSION

Commercial banks should also develop and promote digital banking services and consider customizing products and services for different customer segments to meet their specific needs and preferences, expanding their customer base and increasing customer satisfaction and loyalty. With the integration of digital technologies, commercial banks also need to train their employees to ensure that they can effectively use new tools and methods to improve efficiency and collectively contribute to the stability of commercial banks.

The commercial banking sector is entering a transformative phase where digital innovation, sustainability, and financial inclusion are no longer peripheral concerns but central drivers of strategy and growth. This research underscores that for banks to remain competitive and relevant in the new era, they must align their business models with the evolving expectations of customers, regulators, and society at large.

The commercial banking sector is at a pivotal juncture. By embracing digital, sustainable, and inclusive principles, banks have the opportunity to not only drive profitability but also play a critical role in shaping a more resilient and equitable global economy. This research serves as a call to action for banks to lead with purpose and innovation, ensuring that they not only survive the challenges of today but thrive in the opportunities of tomorrow.

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