

THE IMPACT OF DIGITAL BANKING ON HR PROCESSES IN TRADITIONAL BANKS

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Annotation: *The rapid development of digital banking has significantly transformed not only customer services and operational processes, but also human resource management in traditional banks. Digital transformation changes workforce structure, skill requirements, and the role of employees inside banking organizations. As routine operations become automated, banks increasingly rely on employees who combine financial knowledge with digital competencies.*

This thesis examines the impact of digital banking on HR processes in traditional banks, focusing on workforce transformation, reskilling needs, and changes in employee roles. Special attention is paid to practical challenges related to staff adaptation and organizational change. The paper highlights the importance of investing in human capital, continuous training, and adaptive HR strategies to ensure sustainable digital transformation in the banking sector.

Key words: *digital banking, human resources, workforce transformation, reskilling, traditional banks, HR management.*

Introduction

The global banking sector is experiencing one of the most significant workforce transformations in its history. In the context of digital

transformation, traditional banks are undergoing fundamental organizational changes that directly affect human resource management. Digital banking reduces the importance of manual and routine operations, which leads to a gradual decline in traditional front-office and branch-based roles. At the same time, demand is increasing for employees with digital skills, data awareness, and the ability to support customers in remote channels. For traditional banks, this transformation presents a dual challenge: adapting existing human capital to new digital realities while simultaneously competing for scarce digital talent in an increasingly competitive labor market.

The scale of HR transformation in digital banking: global evidence

Digitalization requires HR departments to rethink recruitment, training, and performance management systems. Banks can no longer rely only on classical banking competencies. Instead, they must develop reskilling and upskilling programs to help existing staff adapt to new digital tools and processes. HR processes increasingly focus on continuous learning, internal knowledge transfer, and building hybrid professional profiles that combine banking expertise with digital capabilities.

Global practice confirms that digital banking transformation significantly affects workforce requirements in traditional banks. According to the World Economic Forum, nearly 44% of employees' core skills are expected to change in the coming years, highlighting the growing importance of digital and analytical competencies. At the same time, McKinsey estimates that up to 25% of banking tasks can already be automated, which shifts employee roles from routine operations

toward advisory and valued functions. In this context, digitalization does not eliminate jobs but transform them, increasing demand for hybrid professionals with both financial and digital expertise.

The shift is particularly visible in front-office functions. Branch staff who previously processed transactions are now expected to serve as digital ambassadors guiding customers through mobile banking platforms, resolving service exceptions, explaining new digital products, and providing personalized advisory services that automated systems cannot replicate. This role evolution demands a fundamentally different employee profile: one that combines product knowledge with digital literacy, customer empathy, and the ability to operate effectively in a hybrid physical-digital service environment.

In Uzbekistan, where the banking sector is undergoing accelerated digital transformation as part of broader economic reform, these global trends are manifesting in specific and locally distinctive ways. Banks such as Ipoteka Bank OTP Group are navigating the transition from branch-centric service delivery to digital-first operating models, creating both immediate skill gaps and longer-term questions about workforce strategy, HR system design, and organizational culture.

Reskilling and upskilling: the core HR imperative

One of the most consequential effects of digital banking on HR processes is the fundamental redefinition of employee roles. As digital channels absorb routine transactional functions - payments, account inquiries, balance checks, fund transfers the relevance of traditional front-office transactional roles declines. At the same time, demand is growing rapidly for roles that require the ability to support customers

through digital platforms, interpret data, manage complex regulatory requirements, and develop new digital products.

Another important HR challenge is employee resistance to change. Staff members who are accustomed to traditional processes may experience stress and uncertainty during digital transformation. In this context, HR management plays a key role in change communication, employee engagement, and support programs. Effective digital transformation depends not only on technology, but also on employee readiness and trust in new systems.

Effective reskilling programs in the banking sector shares several common characteristics. First, they are skills-based rather than role-based, they identify the specific digital competencies needed across the organization and build learning pathways around those competencies rather than around existing job titles. Second, they are continuous rather than episodic in an environment where technology is evolving rapidly, one-time training programs are insufficient; learning must be embedded into daily work processes. Third, they combine technical digital skills with the interpersonal and analytical capabilities that automated systems cannot replicate.

Digital transformation has also fundamentally changed the talent acquisition priorities of traditional banks. The demand for professionals with hybrid competencies combining deep banking knowledge with data analytics, digital product management, regulatory technology, and cybersecurity expertise has increased dramatically, while the supply of such talent remains constrained. The digital skills gap in banking is projected to reach 350,000 workers in the US alone, and more than one in three financial services firms now rank talent scarcity above data

infrastructure and legacy technology as their primary barrier to AI adoption (Wolters Kluwer, 2025).

At the same time, digital banking creates new opportunities for HR development. Employees gradually move from transaction-based tasks to advisory and digital support roles, which increases job complexity and professional value. Proper HR strategies allow banks to improve productivity, enhance employee motivation, and strengthen long-term organizational sustainability.

Conclusion

Digital banking is reshaping HR processes in traditional banks across every dimension: the skills required from employees, the strategies needed to acquire and develop talent, the tools used to manage people, and the cultural conditions required for sustainable organizational change. The evidence reviewed in this thesis points to several clear conclusions.

First, the scale of workforce transformation required by digital banking is substantially larger than most organizations have yet acknowledged. With 70% of banking roles expected to require new digital skills by 2027 and a projected structural talent shortage of hundreds of thousands of digital workers, the HR implications of digital banking are not a peripheral concern - they are a strategic priority of the first order. Second, reskilling existing employees is both more effective and more sustainable than wholesale workforce replacement. Third, change management is not a supplementary activity in digital transformation - it is a core competency. The human dimensions of digital change, including employee anxiety, cultural resistance, and the need for clear

communication and support, require as much strategic attention as the technological dimensions.

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