

DIGITAL BANKING AN INDIAN PERSPECTIVE

Dr. (Smt.) Rajeshwari M. Shettar

Associate Professor, Department of Commerce,

Shri. Hurakadli Aija Shikshan Samiti's

Smt. K. S. Jigalur Arts and Dr. (Smt.) S. M. Sheshgiri Commerce College for Women, Dharwad-8. Karnataka

Abstract: In the present scenario, the demand of banking is anytime, anywhere banking, this requires innovative robust secure optimized and ready to meet the expectations of empowered and tech savvy customers. Digital transformation is just moving from traditional banking to a digital world. It is a vital change in how banks and other financial institutions learn about, how to interact with and satisfy the customers. An effective digital transformation begins with an understanding of digital customer behavior, preferences, choices, requirements, and aspirations etc. This transformation leads to the major changes in the organizations from product centric to customer centric view. This paper covers role of digitization in Indian banking, factors affect the scope of digital banking in India, digital banking trends in India, technological milestones in Indian banks. The present study is based on secondary data. The data has been extracted from the various sources like research articles, publications from government of India, various bulletins of RBI and authenticated websites. The study found that, digital banking has drastically reduced the operating costs of banks. This has made it possible for banks to charge lower fees for services and also offer higher interest rates for deposits. Lower operating costs have meant more profits for the banks. The study also found that, digital banking is having enormous potential to change the landscape of financial inclusion. Easy use of digital banking can accelerate the integration of unbanked economy to the mainstream.

Key words: Digitalization, Banking in India, Innovations, Technology.

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I. INTRODUCTION

Banks are not just part of our lives, but have a significant role in our daily lives. Banks always try to adopt latest technologies to enhance customer experience. Digitalization is not an option for banking industry, rather it is inevitable. The buzzword in India now a day is creating a cashless economy. The successful implementation of demonetization, leads the government to implement digital transactions. Digitalization is the process of converting data into digital format. Digitalization means the adoption of technology. The main objective of the government of India is make 25 billion digital transactions through multiple facilities. Digitalization of banking requires platforms like Unified Payment Interface (UPI), Aadhar Pay, Debit Cards and Immediate Payment Service (IMPS).

Digital banking may be viewed as adoption of various existing and emerging technologies by the banks. In the present scenario, we find ourselves in a digital wonderland, where the milkman accepts wallet payment without a fuss, a man buys a geometry set worth about Rs. 100 using a credit card and the vegetable vendor uses QR code based "Scan and Pay" utility. The new innovative digital technologies and futuristic thought processes have given birth to whole new businesses and social dimensions. Make in India and Digital India is now the buzzwords to a bright and sustainable industrial and financial progress of our nation. Digital banking provides solutions to bankers for their short term and long term business and technological requirements. In the present scenario, factors like enhancing of customer satisfaction, unified customer experiences, faster output, infinite banking volumes, financial inclusion, operational efficiencies, scale of economy etc. are being sought by leveraging digital banking technologies. The digital India is the Indian government's flagship programme with a vision to convert India into a digitally empowered country. Faceless, paperless, cashless is requirement of India government. Registration, Invoicing, Payment selection, Payment confirmation are the important phases of digital payment system. This generally includes three electronic payment instruments like, cash, cheque and card.

II. OBJECTIVES OF THE STUDY

1. To study the role of digitization in Indian banking.
2. To study the factors affect the scope of digital banking in India.
3. To study the digital banking trends in India.
4. To study the technological milestones in Indian banks

III. RESEARCH METHODOLOGY

The present study is descriptive in nature and is based on secondary data. The data has been extracted from various sources like research articles, publications from Government of India, various bulletins of RBI and authenticated websites.

IV. REVIEW OF LITERATURE

- ❖ **Dr. Arunangshu Giri and Ipsita Paria (2018)** the article entitled “A Literature Review on Impact of Digitalization on Indian Rural Banking System and Rural Economy”. The present paper focuses on the review and summarizes various studies which were made by different researcher of different location across India on the impact of digitalization on rural banking system of India. The study found that, digital banking is having enormous potential to change the landscape of financial inclusion. The study also found that, with the features as low cost, easy of use digital banking can accelerate the integration of unbanked economy to the mainstream.
- ❖ **K. Hema Divya and K. Suma Vally (2018)** the article entitled “A Study on Digital Payments in India with Perspective of Consumer’s Adoption”. The present paper focuses on the analysis of the adoption level of the digital payment systems by customers. Primary data was collected from 183 respondents in Hyderabad. The collected data through questionnaire were analyzed by using chi-square technique. The study found that, the deployment of technology for digital payments have improved the performance of banking sector and able to achieve the motive cash less country.
- ❖ **Anthony Rahul Golden S. (2017)** the article entitled “An Overview of Digitalization in Indian Banking Sector”. In this article an attempt has been made to study the overview of digitalization in Indian Banking sector. Banks are not just a part of our lives but have a significant role in our daily lives. Thus banks always try to adopt latest technologies to enhance customer experience. The study found that, due to the adoption of this digitalization, the banking sectors in India face some remarkable changes as well as hurdles. The study also found that, as we are in the digital era, it is not possible to avoid the growth and services or digital banking.
- ❖ **Santiago Carbo - Valverde (2017)** the article entitled “The Impact on Digitalization on Banking and Financial Stability”. In this article an attempt has been made to discuss the impact of digitalization on banking activities and challenges that imposes for financial stability. The study found that, digitalization is an opportunity to reduce marginal costs and increase productivity in financial services.

V. ROLE OF DIGITIZATION IN INDIAN BANKING

Banks in India as a whole were very reluctant to adopt the changes brought about by technological advancement. A number of factors brought about the mechanization and digitization in banking industry in India. The putting in place standard cheque encoders was the first step forward in digital transformation in banking. Magnetic Ink Character Recognition (MICR) helps in the sorting and processing of cheques with each bank branch having an MICR code. The next step was more of a necessity than an innovation. Banking is a respective job and therefore a labor intensive one where the worker is prone to making mistakes. In order to minimize errors and speed up the process, banks began using computer technology with standard personal computers and then set up their own local area networks (LAN). As the networks grew and banks began to connect together, Core banking came into being. Centralized Online Real time Exchange (CORE) banking thus allowed customers to perform financial transactions and access their account from any of the participating banks branches. These services made it easier for customers to operate their account and slowly led to the coining of the phrase: Anytime, Anywhere Banking”. Then Automated Teller Machine (ATMs) arrived on the scene and electronic fund transfers were made possible. Online banking and Tele banking made their appearance in the 2000’s and different modes of online fund transfers were instituted like Real Time Gross Settlement (RTGS), Immediate Payment System (IMPS). National Electronics Fund Transfer (NEFT) and National Electronic Clearing Service (NECS). Recent years have seen the growth in mobile banking services and other innovative services online. The role of digitization of banking in India that began in the 1980’s has certainly come a long way.

VI. FACTORS AFFECT THE SCOPE OF DIGITAL BANKING IN INDIA

- ✚ **Education:** A lack of knowledge about banking in itself is a hurdle. Many parts of India still struggle with very low literacy rate. The lack of knowledge about computers and the use of the internet is a challenge.
- ✚ **Fear:** There are a number of unfounded fears individuals have about the use of the internet. Cases of fraud are often increases and this adds to the fear factor, resulting in a number of ill informed customers being nervous to use digital banking.
- ✚ **Training:** There is much resistance from within the banking industry itself. Employees are not trained in the use of innovative technology. They are unable to utilize different features of digital banking.

VII. DIGITAL BANKING TRENDS IN INDIA

Digital India in the banking sector has grown sharply in recent times. Some trends in digital banking in India are:

- **Increase in Customers:** The government’s encouragement to use electronic wallets has contributed much to people adopting the use of technology in financial transactions. There is a rapid increase in the use of credit/debit cards as well as electronic wallets and the trend will continue.
- **Chat bots:** A number of banks have already employed chat bots in their customer care operations. There is steady increase in the number of chat bots employed as well as improvements in their speed of response, quality of interaction and the quality of services rendered.
- **Merge Physical and Digital Process:** Many banks today offer a mixed physical and digital process to their customers. The customers could walk into the bank and then use devices there to carry out their transactions. In the Indian context we will certainly see a steady increase in this kind of service especially in the rural areas.
- **Mobile Technology:** The proliferation of mobile phones and the easy and cheap availability of internet have meant that the banking sector had to provide digital services via mobile phones. A number of banks have developed apps to help customers handle banking transactions on their mobile phones. This trend will only continue.
- **End to End Digital Banking in India:** A number of customers are already using devices to handle their banking tasks. Banks have come to realize that digitization is the only way forward. Hence a number of banks have already started on the path of end to end digitization in their effort to provide all kinds of services over the internet resulting in paperless transactions.

Table 1: Technological Milestones in Indian Banks

Sl. No.	1980	1990	2000-10	2011-2018
1	MICR	ATMs	IMPS	Bio Metrics
2	Standard Cheques	Electronic Funds Transfer	RTGS	Mobile Banking
3	Encoders	Branch Connectivity	NEFT	Cheque Truncation
4	-	Computerization	NECS	UPI
5	-	-	Online Banking	USSD
6	-	-	Tele Banking	E-Wallet

Source: ICMAI

Indian government is aggressively promoting digital transactions. The launch of United Payments Interface (UPI) and Bharat Interface for Money (BHIM) by National Payments Corporation of India (NPCI) are significant steps for innovation in the payment systems domain. UPI is a mobile interface where people can make instant funds transfer between accounts in different banks on the basis of virtual address without mentioning the bank account. Today banks aim to provide fast, accurate and quality banking experience to their customers. Now a day the topmost agenda for all the banks in India is digitalization.

As part of encouraging cashless transactions and transforming India into less cash society, various modes of digital payments are available.

- **Debit/Credit Card:** Suitable for online/offline merchant sale. Transaction limit set by card issuer. Card number details required.
- **RTGS/NEFT:** Suitable for high value online transactions. Transaction limits minimum 2 Lakh, no upper limit. Account number, password, beneficiary registration, IFSC code are required.
- **Immediate Payment Service (IMPS):** Suitable for instant transfer. Transaction limits up to 2 Lakh per day. Account number, password, beneficiary registration, IFSC code are required.
- **Unified Payment Interface (UPI):** Suitable for instant transfer. Transaction limits up to 1 Lakh. Virtual payment ID (VPA) of recipient is required.
- **Unstructured Supplementary Service Data (USSD):** Suitable for feature phones without internet connectivity. Aadhar number, IFSC or code allotted by banks on registration is required.
- **E-Wallet:** Suitable for small ticket transactions. Transaction limits 20,000 per month (1 Lakh for KYC compliant wallet holders. Login ID is required.

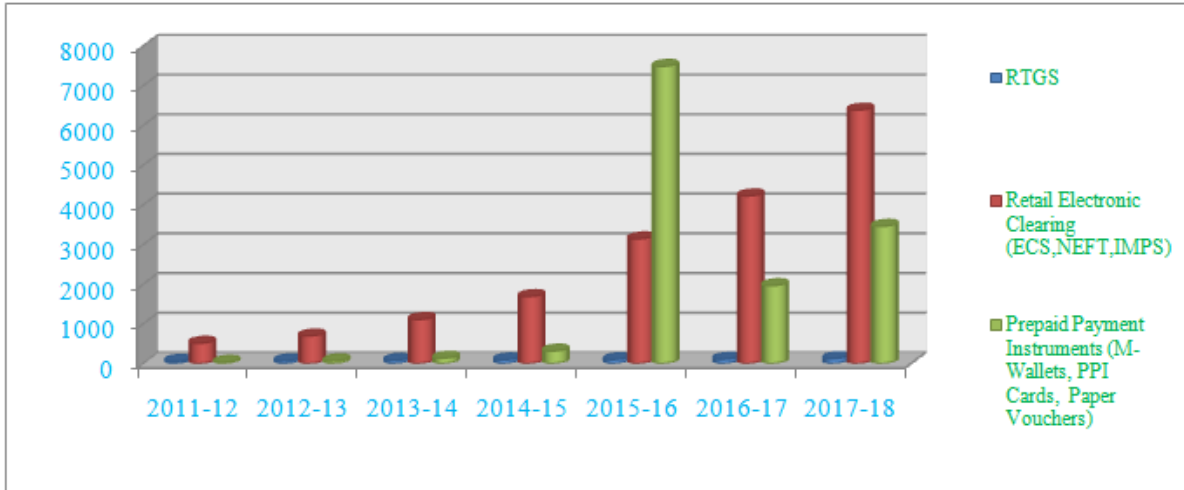
Table 2: The Volume of Transactions in Digital Banking

(Volume in Million)

Year	RTGS	Retail Electronic Clearing (ECS,NEFT,IMPS)	Prepaid Payment Instruments (M-Wallets, PPI Cards, Paper Vouchers)
2011-12	55.1	512.4	30.6
2012-13	68.5	694.1	66.9
2013-14	81.1	1108.3	133.6

2014-15	92.8	1687.4	314.5
2015-16	98.4	3141.5	7488.0
2016-17	107.8	4222.9	1963.7
2017-18	124.4	6382.4	3459.0

Source: RBI data



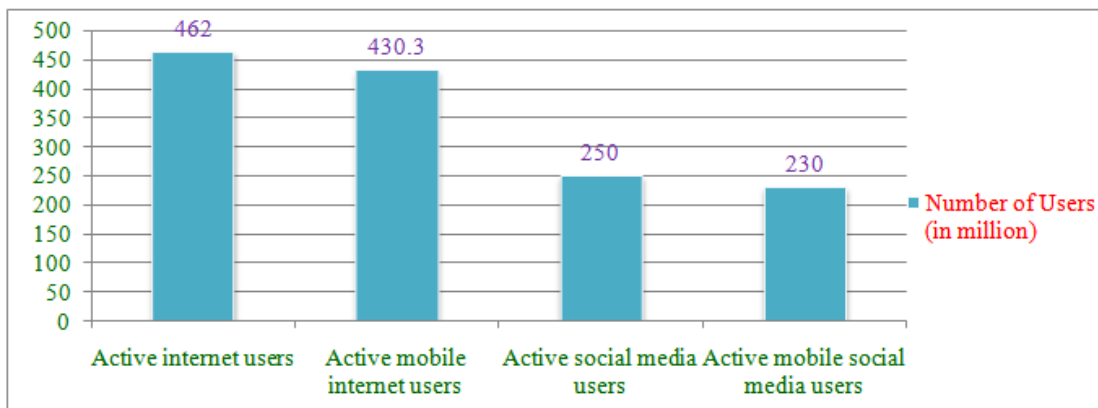
VIII. CURRENT STATUS IN THE DIGITAL BANKING

Indian government is aggressively promoting digital transactions. The launch of Unified Payments Interface (UPI) and Bharat Interface for Money (BHIM) by National Payments Corporation of India (NPCI) are significant steps for innovation in the payment systems domain. UPI is a mobile interface where people can make instant funds transfer between accounts in different banks on the basis virtual address without mentioning the bank account. Today banks aim to provide fast, accurate and quality banking experience to their customers. Now a day, the top most agenda for all the banks in India is digitalization. Online banking has changed the face of banking and brought about a noteworthy transformation in the banking operations.

Table 3: Digital Population in India as of January, 2018

Particulars	Number of Users (in Million)
Active internet users	462
Active mobile internet users	430.3
Active social media users	250
Active mobile social media users	230

Sources: Internet



IX. FINDINGS OF THE STUDY

1. Digital banking has drastically reduced the operating costs of banks. This has made it possible for banks to charge lower fees for services and also offer higher interest rates for deposits. Lower operating costs have meant more profits for the banks.

2. With the increased convenience of anytime, anywhere banking, the number of customers has increased for banks. Human error in calculations and recordkeeping is reduced. With records of every transaction being maintained electronically, it is possible to generate reports and analyze the data at any point and for different purposes.
3. The benefits of digital banking stress its importance by themselves. However the socio-economic conditions we face add to the importance of digital banking in India. With a high rate of crime and corruption, digital banking is a safe way to handle financial transactions.
4. Many cities are known for pickpockets who eye bulged wallets and hence the option of paying by credit or debit card or through online wallets is a much safer option.
5. With more digital data available with banks, they can take data driven dynamic decisions by using digital analytics. This benefits the both the customers and bank.
6. Digital banking is having enormous potential to change the landscape of financial inclusion. Easy use of digital banking can accelerate the integration of unbanked economy to the mainstream.

X. SUGGESTIONS

1. Technical defaults should be evaded by employing well trained and expert technicians in field of computers, so that loss of data can be avoided.
2. Seminars and workshops should be organized by the banking professionals on the salubrious utilization of e-banking services especially for those who are ATMs or computer illiterate.
3. E-banking services should be customized on basis of age, gender, vocation etc. so that needs and requisites of people can be rewarded accordingly. Government should magnify investments for the construction of well furnished building and infrastructure.
4. It is important for banks to work on not only good website, social media connect and mobile banking etc.
5. Banks must be careful regarding cyber threats; Banks should be prepared to handle cyber attacks. Design with user success as focus, content understandable by anybody, supported with demos and help to reduce intimidation.
6. New regulations constrain banks to adopt their digital offerings, widening the competition form new players.

XI. CONCLUSION

With the increasing usage of smart phones, digitalization of banking sector is inevitable to catch up the increasing expectations of the world. It indeed reduced human errors and increased convenience. With the help of digital banking, most businesses do not have to rely on the bank operation timings. Now the transactions can be made even in the odd hours. There are some transactions like paying bills or making regular payments that can be automated in the digital banking platform. As a result, the businesses are able to save a lot of time on the manual processes and this has a great impact on their productivity. The number of customer base has also increased because of the convenience in 'Anywhere Banking'. Digitization has reduced human error. It is possible to access and analyze the data anytime enabling a strong reporting system. Digital banking is converting the brick and mortar banks into more greener and efficient places to operate. There are a plethora of options that people can opt for when it comes to banking. In the present scenario, people can check their bank account details, pay their bills online, transfer money to other accounts and all these can be done very comfortable at their residence. For this the only requirement is the internet connection.

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