



DIGITAL BANKING IN INDIA

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Abstract

Digital Banking is an important feature in today's world. This feature provides the luxury for banking anytime and anywhere. Digital banking is converting the brick and mortar banks into more greener and efficient places to operate. Digital transformation is just moving from traditional banking to a digital world. There are a plethora of options that people can opt for when it comes to banking. Now people can check their bank account details, pay their bills online, transfer money to other accounts, and all of this can be done from the very comfort of their home. All that the people need for banking these days is an internet connection. Today digital banking has significantly reduce the operating costs of banks which has made banks to charge lower cost for services rendered by them and also provide high rates of interest on bank deposits.

This paper covers role of digitization in Indian banking, factors that affect the scope of Indian digital banking, trends of digital banking in India. The present study is based on secondary data. The data has been taken from the various research articles, various publications from government of India, RBI bulletins and authenticated websites.

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

INTRODUCTION

Banks plays a significant role in our daily lives. They constantly try to implement latest technologies to increase 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 implementation of digital transactions by the Indian government is the result of successful implementation of demonetization. Simple meaning of digitalization is to convert data into digital arrangement. It is the adoption of technology. The main objective of the Government of India is to 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 is the adoption of various existing and emerging technologies by the banks. In the present scenario, the small vendors accepts wallet payment without a hassle, a man purchases a bottle worth about Rs. 150 using a credit card and the vegetable vendor uses QR code based "Scan and Pay" utility. 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.

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. There are generally three instruments like cash, cheque and card which are included in the important phases of digital payment system i.e. Registration, Invoicing, Payment selection, Payment confirmation. In today's era, digital banking is in shopping, money transferring, making payments etc. Digital banking should not be looked at just as a technological advancement. Neither is it a customer service initiative. It is a revolution in how the banking industry functions and the services it renders.

OBJECTIVES OF THE STUDY

1. To study the role of digitization in Indian banking.
2. To study the factors that affect the scope of Indian digital banking.
3. To study the trends of digital banking in India.

RESEARCH METHODOLOGY

The present study is based on secondary data. The data has been taken from the various research articles, various publications from government of India, RBI bulletins and authenticated websites.

REVIEW OF LITERATURE

1. Varda Sardana, Shubham Singhanian (2018) in their research paper entitled Digital Technology in the Realm of Banking: A Review of Literature reviewed the theoretical literature on the growth of digital and information technology in the Indian banking industry. They discussed the stupendous advancements in digital technology have transformed the way banks operate. The commencement of the age of digital business has been disrupting the business environment and breaking out innovative and singular ways of doing business. According to their study, Digital banking technologies have escalated over the years, with the availability of a large portfolio of products such as deposits, ATMs, debit cards, mobile payments, and the like.
2. Amruth Raj Nippatlapalli (2013), his research paper "A Study on Customer Satisfaction of Commercial Banks: Case Study on State Bank of India" presents Customer satisfaction, a term frequently used in marketing, is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals.
3. Rakesh H M & Ramya T J (2014), their research paper titled "A Study on Factors Influencing Consumer Adoption of Internet Banking in India" tried to examine the factors that influence internet banking adoption.

DIGITIZATION IN 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 repetitive 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 standalone personal computers and then set up their own local area

networks (LAN). As the networks grew and banks began to connect together, Centralized Online Real-time Exchange (CORE) came into being. It thus allowed customers to perform financial transactions and access their account from any of the participating bank's branches. These services made it easier for customers to operate their accounts and slowly led to the coining of the phrase: 'Anytime, Anywhere Banking.' Then Automated Teller Machines (ATMs) arrived on the scene, and electronic fund transfers were made possible.

Online banking and Telebanking made their appearance in the 2000's and different modes of online fund transfers were instituted such as 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. However there is still a long way to go in the digitization in banking industry and a number of hurdles to cross before we are able to ensure end to end digital banking in India as we will discuss in this article.

BENEFITS OF DIGITAL BANKING

1. Customer Service:

With internet freely available everywhere, the customer needs to access their accounts is a device and internet connectivity. It saves their time and expense as they no longer has to travel to a bank to carry out transactions. They does not have to wait in unending queues only to find that they will have to go to a different counter to get their job done. Online services make it possible for them to sit in the comfort of their home or office, or in fact even in a vehicle while travelling, and carry out transactions without having to wait for anything.

2. 24×7 Availability:

The customers are able to check their bank records anytime they wishes and a number of banking services are available to them round the clock. Transferring money is easier, quicker, and safer.

3. Time Constraint:

A number of services required waiting for considerable periods. Banks had boards put up at their branches specifying the time required for different services. Even simply cashing a cheque took time. But with digital banking it is instant, with no time constraints.

4. Online Bill Payments:

This feature saves customers a lot of time and expense. Customers do not have to carry cash and queue up to pay their utility bills or other bills.

5. Lower Overheads:

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.

6. Banking Benefits:

With the increased convenience of anytime, anywhere banking, the number of customers has increased for banks. Human error in calculations and recordkeeping is reduced, if not eliminated. With records of every transaction being maintained electronically, it is possible to generate reports and analyse data at any point, and for different purposes.

DIGITAL BANKING TRENDS IN INDIA

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

1. Growth in Customers:

The government's reinforcement to use electronic wallets has contributed much to people accepting the use of technology in monetary transactions. Now, there is a rapid increase in the usage of credit/debit cards as well as electronic wallets and the trend will endure.

2. Combine Physical and Digital Procedure:

Many banks today offer assorted physical and digital procedure to their customers. The customers could walk into the bank and then use devices there to carry out their transactions.

3. Mobile Technology:

The increase of mobile phones and the calm and economical availability of internet has meant that the banking had to offer digital services via mobile phones. A number of banks have advanced apps to help customers handle banking transactions on their mobile phones.

4. End to End Digital Marketing:

Many banks have already started on the path of end to end digitization, in their effort to deliver all kinds of services over the internet, resulting in paperless transactions because many customers are already using devices to complete their banking tasks.

In the last few years India's plastic currency has grown substantially particularly after demonetisation. The major trends are as follow:

Progress in Digital Banking in India						
	Rs. In Crore				Rs. In Billion	
Item	Number of Cards	Debit Cards	Credit Cards	Debit + Credit Cards Transactions at (Volume)	Debit + Credit Cards Transactions at PoS (Volume)	Number of PoS Terminals
Sep-16	75.5	72.8	2.7	20.3	401.3	14.8
Sep-19	88.8	83.5	5.3	59.4	1151.7	45.9
Growth	1.2x	1.1x	2.0x	2.9x	2.9x	3.1x

Source: RBI PoS (Point of Sale)

During Sep'2016 to Sep 2019, the number of debit and credit cards increased from 75.5 crore in Sep'16 to 88.8 crore in Sep'19. If we divide number of cards with India's population (130 crore), the card penetration comes out to be around 68%. Further, both the volume and value of Debit + Credit card transactions at PoS (Point of Sale) terminal are also increased. From merely Rs 401 billion of transactions in Sep'16, it increased around 3-times by Sep'19 to Rs 1152 billion. Additionally, the number of PoS terminals has also increased from 14.8 lakh in Sep'16 to 45.9 lakh in Sep'19.

CONCLUSION

It can be concluded 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. Digital banking is having enormous potential to change the landscape of financial inclusion. More recently, Artificial Intelligence (AI), Machine Learning (ML) and Big Data are becoming central to financial services innovation.

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