

An Outlook of Digital Banking in India

Dr. Manish Goswami

M.Com PhD, Sai Nath University, Ranchi

Abstract-The banking call is for anywhere, at any time, and to satisfy the expectations of empowered, tech-savvy clients, it must be safe and ready. Banking is transitioning from a traditional branch visit to a digital environment through digital transformation. Understanding digital client behavior, preferences, choices, requirements, aims, etc. is the first step towards an effective digital revolution. The importance of digitization in the Indian banking system, variables influencing the country's digital banking landscape, emerging trends in digital banking, and technical advancements in Indian banks are all covered in this article. Simple digital banking can hasten the unbanked economy's assimilation into the mainstream.

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

INTRODUCTION

Banks not only constitute an integral component of our daily existence but also assume a substantial function. The company consistently endeavors to use cutting-edge technologies in order to improve the overall consumer experience. The integration of digitalization into the financial business is not only a choice, but rather an inevitable progression. The prevailing focus in contemporary India revolves around the establishment of a cashless economy. Digitalization refers to the transformative process of turning data from its analog or physical form into a digital representation, often represented by binary code. Digitalization refers to the process of incorporating and utilizing technology in many aspects of society or organizations. The primary goal of the Indian government is to achieve a target of 25 billion digital transactions through the utilization of various platforms and services. The digitalization of banking necessitates the utilization of several platforms such as Unified Payment Interface (UPI), Aadhar Pay, Debit Cards, and Immediate Payment Service (IMPS), among others. Digital banking may be seen as the integration of both established and developing technology inside the operations of financial

institutions. In the contemporary context, we are situated inside a technologically advanced environment, whereby the milkman readily takes digital wallet payments, an individual purchases a geometry set valued at around Rs. 300 using a credit card transaction, and the vegetable seller utilizes a QR code-based "Scan and Pay" system. The advent of novel digital technology and forward-thinking cognitive approaches has engendered the emergence of entirely new enterprises and societal realms. The phrases "Make in India" and "Digital India" have emerged as prominent concepts that signify the potential for significant industrial and financial advancement in our country. Digital banking offers a range of solutions to address the business and technology needs of bankers, both in the short term and the long term. In the current context, there is a growing interest in utilizing digital banking technology to achieve various objectives such as improving customer happiness, unifying client experiences, increasing operational efficiency, facilitating speedier output, accommodating limitless banking volumes, promoting financial inclusion, and capitalizing on economies of scale. The Digital India initiative is a prominent program of the Indian government aimed at transforming India into a nation that is enabled by digital technologies. The Indian government has mandated the adoption of a faceless, paperless, and cashless system. The crucial stages of a digital payment system are registration, invoicing, payment selection, and payment confirmation.

OBJECTIVES OF THE STUDY

- To study the role of digitization in Indian banking.
- To study trends in the digital banking in India.
- To study the technological indicators in Indian banks.

RESEARCH METHODOLOGY

The study is descriptive in nature and is totally based on secondary data. The data has been extracted from

various sources like research articles, publications from Government of India, various bulletins of RBI etc.

FACTORS AFFECTING THE CHOICE 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 and lack in 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.
- 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.

TRENDS IN DIGITAL BANKING

The phenomenon of digital banking has experienced a significant surge in recent years. Several developments may be observed in the realm of digital banking in India.

The government's promotion of electronic wallets has significantly influenced the use of technology in financial transactions, resulting in an increase in the number of customers. The utilization of credit/debit cards, electronic wallets, and similar payment methods is seeing a significant and ongoing surge, with indications suggesting that this trend will last for a considerable duration.

Several banks have implemented chat bots in their customer service operations. The utilization of chat bots has been consistently rising, accompanied by advancements in their reaction time, interaction quality, and service excellence.

Numerous financial institutions already provide a hybrid approach that combines physical and digital processes for their clientele. Customers have the ability to physically enter the bank premises and utilize the available gadgets in order to conduct their financial operations. In the Indian context, a notable upward trend in the use of such services, particularly in rural regions, is anticipated.

The widespread use of mobile phones and the affordable accessibility of internet services have necessitated the banking industry to offer digital banking services using mobile technology. Several financial institutions have created mobile applications to assist consumers in managing their banking transactions on their smartphones. This tendency is expected to persist.

Table 1: Technological Milestones in Indian Banks

Sl. No.	1980	1990	2000-15	2015-2022
1	MICR	ATMs	Electronic Funds	IMPS
2	Standard	Transfer	Branch	RTGS
3	Cheques	Connectivity		NEFT
4	Encoders	Computerization		NECS
5	-	-	Online Banking	Tele Banking
6	-	-		

Source: ICMAI

The Indian government is actively engaged in the promotion of digital commerce. The introduction of the United Payments Interface (UPI) and Bharat Interface for Money (BHIM) by the National Payments Corporation of India (NPCI) is a noteworthy advancement in the realm of payment systems innovation. The UPI platform serves as a mobile interface that enables individuals to conduct immediate cash transfers between bank accounts held at various financial institutions. This is achieved through the use of virtual addresses, which obviates

the need to provide specific bank account details during the transaction process. In order to promote the adoption of cashless transactions and facilitate the transition towards a less cash-dependent society in India, a range of digital payment methods have been made accessible.

- Debit/Credit Card: Suitable for online/offline merchant sale. Transaction limit set by card issuer. Card number details with pin is required.

- RTGS/NEFT: Suitable for high value online transactions. Transaction limits minimum two Lakh, no upper limit. Account number, password, beneficiary registration, IFSC code is required.
- Immediate Payment Service (IMPS): Suitable for instant transfer. Transaction limits up to two Lakh per day. Account number, password, beneficiary registration, IFSC code is required.
- Unified Payment Interface (UPI): Suitable for instant transfer. Transaction limits up to one 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 (ECS,NEFT,IMPS)	Clearing	Prepaid Payment Instruments (M-Wallets, PPI)
Year	RTGS	Retail Electronic (ECS,NEFT,IMPS)	Clearing	Prepaid Payment Instruments (M-Wallets, PPI Cards, Paper Vouchers)
2019-20	55.1	512.4		30.6
2020-21	68.5	694.1		66.9
2021-22	81.1	1108.3		133.6

Source: RBI data

CURRENT STATUS OF THE DIGITAL BANKING IN INDIA

The Indian government is actively engaged in the promotion of digital commerce. The introduction of the Unified Payments Interface (UPI) and Bharat Interface for Money (BHIM) by the National Payments Corporation of India (NPCI) represents notable advancements in the field of payment systems innovation. UPI, also known as Unified Payments Interface, is a mobile platform that facilitates immediate transfer of payments between bank

accounts held at various financial institutions. This service operates on the basis of a virtual address, eliminating the need to provide specific bank account details during the transaction process. In the present day, financial institutions strive to deliver expedient, precise, and high-caliber banking services in order to enhance the overall client experience. Currently, digitization has become the primary focus for banks in India. The advent of online banking has significantly altered the landscape of the banking industry, resulting in a substantial transformation of banking activities.

Table 3: Digital Population in India as of march 2022

Particulars	Number of Users (in Million)
Active internet users	562
Active mobile internet users	480.3
Active social media users	350
Active mobile social media users	430

Sources: Internet

FINDINGS OF THE PRESENT STUDY

- The operational costs of banks have been significantly cut by digital banking. The banks have made more money thanks to lower operational costs.
- Banks have seen a rise in clients as a result of the greater and better convenience of anytime, anywhere banking. There is less room for human mistake in computations and recordkeeping.
- Since all transaction records are kept electronically, reports can be generated and data may be analyzed whenever needed.
- Digital banking is a secure method of handling financial transactions in an environment where crime and corruption are rampant.
- Since many cities have a reputation for having pickpockets who prey on those with bulging wallets, using an online wallet or credit or debit card to make payments is a much safer alternative.

- Banks may use digital analytics to make data-driven, dynamic choices now that they have access to more digital data.
- There is a lot of opportunity for digital banking to alter the financial inclusion environment. The combination of unbanked economy and easy access to digital banking can become widespread faster.

SUGGESTIONS FROM THE STUDY

- Hiring qualified and experienced computer professionals can help prevent technical errors.
- Occasionally Banking professionals should provide seminars and workshops on the responsible use of e-banking services, particularly for individuals who lack computer literacy or are unfamiliar with ATMs.
- E-banking services have to be tailored based on factors like age, gender, occupation, etc. to ensure that people's wants and requirements are met.
- The government ought to increase funding for the development of infrastructure and well-furnished buildings.
- It's critical that banks focus on more than just having a strong website, social media presence, and mobile banking.
- Banks need to exercise extreme caution when it comes to cyberthreats and be ready to combat cybercrime.
- Create designs that prioritize user success, provide information that is accessible to everybody, are backed by demos, and ease stress.

CONCLUSION

The proliferation of smart phones has necessitated the digitization of the financial sector in order to meet the growing demands of society. Undoubtedly, the implementation of this technology has resulted in a decrease in human mistakes and an enhancement in convenience. The utilization of digital banking has significantly reduced firms' dependence on traditional bank operating hours. Transactions can now be conducted at non-standard hours. Certain transactions, such as bill payments or recurring payments, have the capability to be automated inside the digital banking platform. Consequently, enterprises are able to

significantly reduce time spent on manual operations, while positively influencing their overall productivity. The process of digitization has been beneficial in mitigating instances of human mistake. The data may be accessed and analyzed at any given moment, therefore facilitating the establishment of a robust reporting system. In the contemporary context, individuals have the ability to access and manage their bank account information, make online bill payments, and initiate fund transfers to other accounts, all from the convenience of their own homes. The sole prerequisite for this task is a progressively improved internet connection.

REFERENCE

- [1] Raghavendra Nayak "A Conceptual Study on Digitalization of Banking - Issues and Challenges in Rural India", International Journal of management, IT and Engineering, 2018.
- [2] K. Suma Vally and K. Hema Divya "A Study on Digital Payments in India with Perspective of Consumer's Adoption", International Journal of Pure and Applied Mathematics, 2018.
- [3] MathangiR. ,Latasri O.T. and Isaiah OnsarigoMiencha "Improving Service Quality through Digital Banking - Issues and Challenges", International Journal of Recent Scientific Research, 2017.
- [4] IpsitaParia and Dr. Arunangshu Giri "A Literature Review on Impact of Digitalization on Indian Rural Banking System and Rural Economy", Research Review International Journal of Multidisciplinary, 2018.
- [5] Anthony Rahul Golden S. "An Overview of Digitalization in Indian Banking Sector", Indo - Iranian Journal of Scientific Research (IIJSR), October -December, 2017.
- [6] Santiago Carbo -Valverde "The Impact on Digitalization on Banking and Financial Stability", Journal of Financial Management, Markets and Institutions, 2017.