

Impact of Online Indian Banking System

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Abstract: *Banking is an integral part of financial activity today and digital banking in India is highly advanced. Tracing its roots, the word Bank evolved from the Italian word 'Banca' which means 'bench'. The merchants in the early middle ages would sit on benches where they would keep their coins for lending, exchanging, and so on. That is why the first bank, in the modern sense of the word, to powerful merchants who lent money and kept deposits.*

Digital Banking is part of the broader context for the move to online banking where banking services are delivered over the internet. The shift from traditional to digital banking has been gradual and remains ongoing, and is constituted by differing degrees of banking service digitization. It provides the ability for users to access financial data through Internet desktop, mobile App and ATM services.

A study conducted in 2022 revealed that 47% of bankers see potential to improve customer relationship through digital banking, 44% see it as a means to generate competitive advantage, 32% as a channel for new customer acquisition. Only 16% emphasized the potential for cost saving, banking efficiency, increased accuracy, etc. A study by Centre Government of India entitled that most effective way to understand and bring the organization from traditional banking to digital banking

Keywords: Banking- A less -cash economic, Digitalization, Jan Dhan Aadhar Yojna

I. INTRODUCTION

Banking is an integral part of financial activity today and digital banking in India is highly advanced. Tracing its roots, the word Bank evolved from the Italian word 'Banca' which means 'bench'. The merchants in the early middle ages would sit on benches where they would keep their coins for lending, exchanging, and so on. That is why the first bank, in the modern sense of the word, was established in Venice, Italy, in 1157 and was called the Bank of Venice. Then there are others who state that the banking system was in existence by about 2000 BC in ancient Assyria and Babylon. Chanakya in his *Arthashastra* of the second or third century CE alludes to powerful merchants who lent money and kept deposits.

In the Indian context the earliest banks were the Bank of Hindustan and the General Bank of India, both of which failed. Then the Bank of Calcutta was established in 1806, and it eventually came to be known as the State Bank of India.

The financial sector in India is currently experiencing a golden period, and its key driver is the effort to move towards a less-cash economy. The Government of India recently announced its step to demonetization. This has created the greatest impetus for the transition from cash to digital transactions for the Indian economy. The foundation for a less-cash economy was set in the JAM (Jan Dhan-Aadhar-Mobile) trinity. The PMJDY scheme initiated in August 2014 as a tool for financial inclusion has managed to get over 22 crore bank accounts created for previously unbanked citizens.

The third segment of people, those without phones, are often the rural, poor and socially disadvantaged and thereby the neediest for easy access to financial services. Being the most difficult category to reach out, It is important to provide assisted banking through banking correspondents to create an account leveraging AEPS (Aadhar Enabled Payment Systems) and deposit and withdraw money through Micro ATM's (an AEPS tool). These micro-ATMs would be able to conduct an e KYC (Electronic Know Your Customer) using Aadhar and open a bank account, making them complete one-stop shops for all banking needs. Soon, Aadhar Pay (Aadhar enabled Point of Sale devices, complete with fingerprint scanners) will be installed and enabled at retail touch points. These will allow for direct transactions from a customer's Aadhar-linked bank account to the retailer, requiring

Objectives

The objectives of the present paper are as follows:

- To bring every Indian in the flow of Digital India.
- To give benefit of government schemes to all citizen of India.
- To encourage and motivate all payers and payees to use a digitally enabled cashless Economic system.

II. RESEARCH METHODOLOGY

Primary data by taking survey of people in different groups as well as secondary data by various sources are used with reference to this research paper.

Digital Banking- Definition

We cannot have a standard definition for digital banking.

Different people have given different definitions. Some of them are as follows:

“Digital Banking—a new concept in the area of electronic banking, which aims to enrich standard online and mobile banking services by integrating digital technologies, for example strategic analytics tools, social media interactions, innovative payment solutions, mobile technology and a focus on user experience.”

“Embracing a fully digital strategy requires end-to-end modernization of a bank's often outdated infrastructure. Equally important, it requires a transition from an account-based view of banking customers to one that knows them as individuals and enhances the customer experience with relevant, convenient and personalized products and services.”

However, any definition of digital banking is only centered around enhanced customer service and user experience based on their engagement, expectations and experience, which can be captured in a variety of datasets resulting in a huge repository which is akin to a digital super highway. Why To Go Digital – Advantages of Becoming A Digital Bank Worldwide, the trends have been very clear and consistent: Customers are becoming increasingly comfortable with transactions on digital channels –whether for product purchases or services. Fin- Tech platforms and services have responded to e-Commerce and mobility with disruptions across the board – resulting in loss of opportunities and value for the traditional banks. The cost of meeting tough regulations, has eaten into the allocations for investment in business and IT, which then makes banks less competitive, eventually affecting their bottom line even more. Remaining relevant in view of everchanging consumer behavior and changing business model for several industries exploiting the ability to tap into increasing digital awareness, and huge amounts of digital information about the customer via social networks.

Digital Banking in India

First of all what is digital banking? Digital Banking is also called Internet Banking or Online Banking. When a bank provides its services online and customers can make transactions, submit requests, and handle other banking activities online, it is called digital banking. The first bank in India to offer internet banking was the ICICI bank in 1996. Since then a number of other banks have followed suit and today most of the banks provide online banking facilities.

A digital Bank represents a virtual process that includes online banking and beyond. As an end-to-end platform, digital banking must encompass the front end that consumers see, the back end that bankers see through their servers and admin control panels and the middleware that connects these nodes. Ultimately, a digital bank should facilitate all functional levels of banking on all service delivery platforms. In other words, it should have all the same functions as a head office, branch office, online service, bank cards, ATM and point of sale machines.

The reason digital banking is more than just a mobile or online platform is that it includes middleware solutions. Middleware is software that bridges operating systems or databases with other applications. Financial industry departments such as risk management, product development and marketing must also be included in the middle and back end to truly be considered a complete digital bank. Financial institutions must be at the forefront of the latest technology to ensure security and compliance with government regulations.

Role of Digitization in Banking in India:-

Indian Banks 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).

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.

A study conducted in 2015 revealed that 47% of bankers see potential to improve customer relationship through digital banking, 44% see it as a means to generate competitive advantage, 32% as a channel for new customer acquisition. Only 16% emphasized the potential for cost saving.

Major benefits of digital Banking:

Business efficiency - Not only do digital platforms improve interaction with customers and deliver their needs more quickly, they also provide methods for making internal functions more efficient. While banks have been at the forefront of digital technology at the consumer end for decades, they have not completely embraced all the benefits of middleware to accelerate productivity.

Cost savings - One of the keys for banks to cut costs is automated applications that replace redundant manual labor. Traditional bank processing is costly, slow and prone to human error, according to McKinsey & Company. Relying on people and paper also takes up office space, which runs up energy and storage costs. Digital platforms can future reduce costs through the synergies of more qualitative data and faster response to market changes.

Increased accuracy - Traditional banks that rely mainly on paper processing can have an error rate of up to 40%, which requires reworking. Coupled with lack of IT integration between branch and back office personnel, this problem reduces business efficiency. By simplifying the verification process, it's easier to implement IT solutions with business software, leading to more accurate accounting. Financial accuracy is crucial for banks to comply with government regulations.

Improved competitiveness - Digital solutions help manage marketing lists, allowing banks to reach broader markets and build closer relationships with tech savvy consumers. CRM platforms can track customer history and provide quick access to email and other forms of online communication. It's effective for executing customer rewards programs that can improve loyalty and satisfaction.

Greater agility - The use of automation can speed up both external and internal processes, both of which can improve customer satisfaction. Following the collapse of financial markets in 2008, an increased emphasis was placed on risk management. Instead of banks hiring and training risk management professionals, it's possible for risk management software to detect and respond to market changes more quickly than even seasoned professionals.

Enhanced security - All businesses big or small face a growing number of cyber threats that can damage reputations. In February 2016 the Internal Revenue Service announced it had been hacked the previous year, as did several big tech companies. Banks can benefit from extra layers of security to protect data.

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

Availability of 24X7-The customer is able to check his bank records anytime he wishes and a number of banking services are available to him round the clock. Transferring money is easier, quicker, and safer.

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.

Online Bill Payments: This is a feature that 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.

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.

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 analyze 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:

Increase in Customers:-The government's encouragement to use electronic wallets has contributed much to people adopting the use of technology in financial transactions. We see 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 chatbots in their customer care operations. We will see a steady increase in the number of chatbots 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 has 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. We can look forward to additional features and services being provided, and the user experience being more streamlined.

End to End Digital Marketing:-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.

Scope of Digital Banking in India:-

There are a number of factors that affect the scope of digital banking in India. Some of them are enumerated below:

1. Education:

A lack of knowledge about banking in itself is a hurdle for many. Also many parts of India still struggle with a very low literacy rate. The lack of knowledge about computers and the use of the internet is a challenge.

2. Fear:

There are a number of unfounded fears individuals have about the use of the internet. Cases of fraud are often blown out of proportion, and this adds to the fear factor, resulting in a number of ill-informed customers being nervous to use digital banking.

3. 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 and hence are wary about its implementation. This having been said, the challenges are steadily being overcome. Gen Y today, even in rural areas, has become computer literate and wants the conveniences and advantages of digital banking.

Future of Digital Banking in India

What can we look forward to on the scene of digital marketing in India? Technologically India is a very progressive country. We do not only adopt new technology but are constantly innovating; we are at the cutting edge of technology. Therefore the future of digital banking in India is very bright and we can look forward to new innovations and services from the banking sector.

We have only discussed some aspects of digital banking in India, or digital India in the banking sector, and the future of digital banking in India. 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.

III. CONCLUSION

Digital Life Partners -BHIM and Aadhar Apps:-The full form of BHIM app is Bharat Interface for Money. The Prime Minister of India Shri. Narendra Modi has launched this app on 31 December 2016. He said that, this app will be world's biggest wonder. It is the most popular app in India. More than 5 million's people download this app. All transactions will be on BHIM and Aadhar apps by using fingerprints only.

Cyber Security in Digital Banking:-We always remember following key points while doing cashless transaction.

Do not store any information in mobile regarding bank account, our pin, Password, CVC or Card Number.

Do not save user name and password in mobile.

Do not use public Wi-Fi for banking purposes.

Download bank app from official store of the bank.

Do not click on unknown link of bank. If bank website link begin with **https**, then it is such sites are fake.

Original site of bank. If it is only begin with **http**,

Change your password regularly and it should be difficult.

Do not tell our pin, Password, CVC or Card Number to any other person or any

Bank officer.

Use only security connection for online transaction.

The following table shows cyber-crime in cashless transaction.

Sr.No.	Media	% of cheating
1	Debit and Credit Cards	46
2	Face book	39
3	Mobile	21
4	E-mail hack	18

From this table we observe that, there are maximum number of cyber-crimes in debit and credit cards. This rate increases 6 times in the last three years. Such type of cyber-crimes will increase 60-65% in the next year. The government has to take important steps to avoid cyber-crimes. The government has to motivate people and school children about awareness of cyber-crimes.

If the journey of cashless transaction will be successful in Digital India, then the journey of paperless and faceless governance will begin very soon. So, there are winds of financial revolution flowing in India. Finally the era of "Stand Up India and Start Up India" begins. 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. The lax and cavalier attitude of public servants makes it a real hassle to sometimes even pay for utility bills and so the online bill payment feature of digital banking is really helpful. 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.

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