



COVID- 19 PANDEMIC- THE EMERGING TREND OF BANKING DIGITALIZATION IN INDIA

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Abstract- In recent years, the Indian banking sector has successfully integrated IT-enabled approaches for its operations. With the emerging information technology, Banks may keep their significant customer base by providing higher-quality services, and customers can enjoy more convenient banking operations. The Covid-19 pandemic has posed a serious threat to India's financial system. Previously, customers had to visit bank locations to obtain services. However, banks have seen a greater digital or internet banking trend throughout the pandemic. The banking sector have faced severe difficulties in handling new behavior and meeting customer demands and accessible services, and adapting business services to social changes related to the pandemic situation. This study emphasizes the importance of financial services during pandemics, as well as the rise of electronic banking. This study examines the impact of the Covid-19 pandemic on user behavior of financial products and services, as well as the rise of digital and internet banking. In addition, we looked at total digital payments and settlements in banking transactions over three years, from 2018 to 2021. The findings of the study reveal that the impact of the Covid-19 pandemic on consumers' lifestyles has a direct and beneficial impact on the expansion of internet and mobile banking services. The Covid-19 pandemic resulted in the development of technologically advanced financial products and services. The banking industry also witnesses a rise in all digital banking transactions as well. Keywords: Covid-19 Pandemic, Banking Digitalization, Banking products and services, Customer Behaviour, Internet and Mobile Banking

I. INTRODUCTION

The pandemic has had a serious impact on the Indian economy. It transformed the way people lived, connected and shopped. Even in these circumstances, banks are responsible for maintaining cash transfers, hence, should actively stimulate economic growth, extend loans to individuals and businesses, and maintain their customer base. As a result, banks attempt to reassess the overall activities flow and modify their business strategy. The Corona Virus has caused substantial changes in India, including the closure of banks are preparing for the move to redefine the banking operations and the evolution of the banking-customer relationships. This study analyses the importance of financial services during pandemics, as well as the rise of electronic banking. In addition, the pandemic has driven a new model of financial activities to make banking more accessible to its customers. As a result, the digital banking has been accelerated. As a result, financial institutions have provided customers with digital banking facilities, allowing them to conduct quick, safe, and convenient transactions at any time and from anywhere. Customers can use banking apps to access their accounts, track the details of their online services, manage transactions, and communicate with their bank anywhere in the world. Internet banking solutions have strengthened the banking industry and made everyday transactions more efficient. Internet banking has a long history of its operations. Since 1996, the Industrial Credit and Investment Corporation of India (ICICI) has used electronic banking thereafter, Banks like HDFC, Axis Bank, and IndusInd Bank offered online banking services later in 1999. In India, this was the commencement of exchanging age, as various new banks began to offer services to the customers. India's digital payment potential is enormous. The country had over 1.18 billion mobile connections, 700 million Internet users, and 600 million Smartphones as of October 2021. These numbers are constantly increasing. India ranked 1 in the world in terms of real-time payment transactions in 2020, with over 25.5 billion at the peak of the Covid-19 pandemic. By 2023, India will account for 2.2% of global digital payments, with the total value of such transactions anticipated to reach US\$ 12.4 trillion by 2025.

II. LITERATURE REVIEW

This section is a literature survey on emerging trends in digital banking with the Covid-19 pandemic. This work aims to fill a gap in the literature by looking at the impact of Covid-19 induced changes in payment behavior in India. The discipline of the banking industry would benefit from the discussion. The threat of Covid-19 has compelled the Indian financial system to make various changes. To ensure that banking customers receive prompt and effective service, Customers' attitude toward internet and mobile banking has evolved in most Indian banks. As a result, banks have created online channels for efficient and diverse services. Simple internet banking services allow even uneducated and technically ignorant people to conduct simple and convenient transactions anytime and anywhere.

Naeem, M., & Ozuem, W. (2021) The purpose of this research is to see how the scary environment of the Covid-19 outbreak influenced internet banking social habits and what problems various customers confront when using the service. Multiple qualitative research approaches were used in this study. The study found that social actors used social media to understand the nature of uncertainty during the Covid-19 pandemic, which led to a shift in client behavior from traditional banking to internet banking. Information was disseminated via social media to avoid using ATMs, exchanging debit and credit cards with cashiers, or exchanging cash because these are no longer secure options for both bankers and clients.

Kumar, V., & Kumar, S. (2021) According to the publication, the Covid-19 pandemic has severely influenced the Indian banking sector. The full scope and depth of the virus's influence will be impossible to know. After the pandemic is over, the situation will become more apparent.

Mishra, A. K., Patel, A., & Jain, S. (2021) By building and evaluating the greatest complete knowledge base called ontology (Covid19-IBO) in order to obtain semantic information, this study seeks to emphasise the impact of the Covid-19 on the performance of the Indian banking sector. In this epidemic era, the banking industry's future is largely dependent on policy design and implementation. As per the paper, the Reserve Bank's proactive strategy and stabilization influence are critical.

Bobade, P., & Alex, A. (2020) According to the findings, the Indian banking sector has implemented several initiatives in response to the Covid-19 pandemic to make the banking system more efficient and effective. Employees are provided with a healthy atmosphere and are retrained on financial institutions' new processes and working practices. They're using digital platforms to improve their current strategy. The RBI creates policies to ensure continuity of operations, focusing on developing a solid technology platform employing cutting-edge technology.

Agarwal, S. (2020) As per this article consumers should be aware of public payment centres because of Covid-19. Apple Pay and Google Pay, for example, will soon allow you to pay without touching your card or entering a PIN. Mobile wallets are projected to become more popular in the future, while physical payment cards will become less popular. Payments for peer-to-peer communications or between different types of wallets are prevalent in the post-pandemic period, however businesses who do not accept payments via digital wallets may have disappointing growth. It will make the transition to digital payment platforms easier, with so many competitors now accepting digital payments.

Singh, J., & Bodla, B., S. (2020) This article attempts to assess the impact of the pandemic on banks and non-bank financial institutions (NBFCs) as a result of the lockdown, which has resulted in the shutdown of all organizations, academic institutions, personal and corporate offices, restriction of mobility, and so on. The conclusion is based on the opinions of numerous groups, including academics, financial institutions such as the IMF and the World Bank, and consultancy businesses. According to the paper, if the lockdown continues through July 2020, it will have a devastating impact on banks and NBFCs.

Muzawar, T. (2020) According to the paper, people consider visiting branches and using financial services unsafe because of the Covid-19 pandemic and statewide closure. According to the Indian banking system, the Covid-19 outbreak threatens a years-long clean-up of the country's financial system. Banks are crucial for the economic as they provide capital to both businesses and individuals. The study found that most individuals prefer mobile banking to traditional banking since it is more time-efficient, cost-effective, and reliable.

Perwej, A. (2020) This paper aims to show how the Covid-19 pandemic affects the banking and financial sectors. The corona virus pandemic in India threatens the smooth operations of the global financial system. Banks are essential to the economy as they provide capital to both businesses and individuals. Their reliability is essential for keeping the system operational.

Ramasamy, K. (2020) Examined numerous elements in the banking, financial services, and insurance sectors, including the lockdown strategy, moratorium, and varied repercussions. Furthermore, we have made several recommendations to ameliorate the situation so that financial services can continue with less negative impact, resulting in better customer service and minimum income loss for financial institutions.

Thakor, P., C. (2020) Discussed about The future of banking has two consequences. First, banks will function in a financial system awash in liquidity, with exceptionally low interest rates. Second, the government will play a key role in the banking sector as both a borrower (to cover its deficit) and a "risk absorber," providing guarantees, backstops, and more direct fiscal support to borrowers whose businesses and cash flows have been severely impacted by the virus.

Chawala, A. (2020) According to the study, digital payment receivables were delayed and varied by country till 2019. Many of the causes were economists at various periods of development, including culture and technology. The public, almost as much as power, will be accommodated on digital payment systems due to the long-term uncertainty of the Covid-19 issue.

Choudhary, N. (2020) This study examines the impact from various angles, including bank financial soundness. It also assesses the steps taken by the Indian government and the Reserve Bank of India to help banks weather the storm. For data, the study draws primarily on secondary sources. The data suggest that banks have proven to be resilient. Deposits with banks expanded faster than typical in 2020-21, indicating their perceived safe-haven status. During the epidemic, banks' credit growth slowed. The outstanding credit deposit (CD) ratio in Indian banks has also decreased during this time. The financial sector will have to rely on existing and upcoming new technology to emerge from the terrible circumstances created by the epidemic.

Verma, R. K., & Jain, M. K. (2020) According to the paper, The general public is aware of e-banking and people desire to use e-banking transactions more and more also they are of opinion that E-banking transactions are simple and highly infectious disease prevention may be aided by electronic banking transactions.

III. RESEARCH METHODOLOGY

The current research is an empirical study. The study population includes all public and private sector banks in India. The research is based on secondary data gathered from bank annual reports, magazines, newspapers, publications, and journal evaluations. The study intends to develop an insight into understanding the nature of digital banking in the pandemic period.

IV. OBJECTIVES

The current study is based on the following objectives;

- 1) To determine the value and volume of technologically upgraded banking services during the pre and post Covid-19 pandemic period.
- 2) To compare the pre and post Covid-19 periods to show the general progress of digital banking in India.

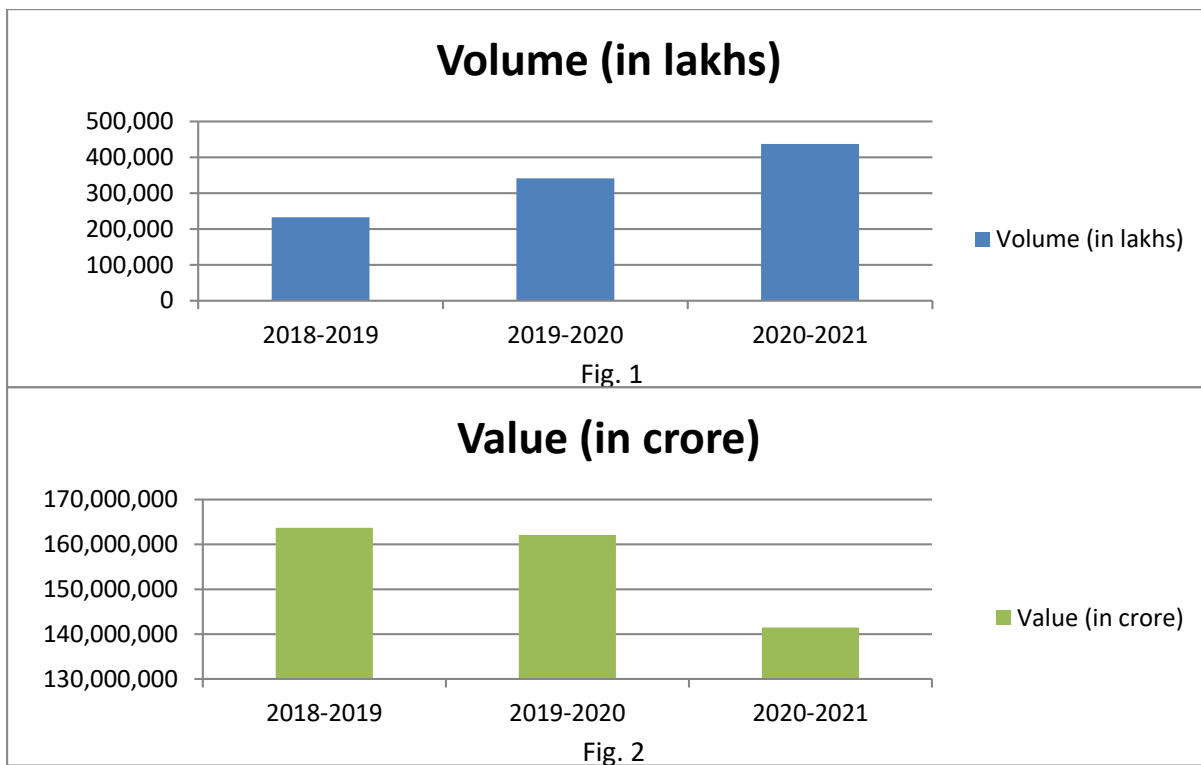
V. DATA ANALYSIS AND INTERPRETATION

Financial inclusion and affordability are critical to global economic progress, especially as the globe faces one of its most challenging periods. The worldwide banking and financial services industry has experienced significant changes since the Covid -19 pandemic. Using financial technology and application standard interfaces, the more critical economic goals enable accessible and inclusive global banking (APIs). It presents an opportunity for international banks spread across multiple countries and markets to use advanced technology solutions to improve infrastructure in terms of higher percentages of mobile internet penetration worldwide, which is scheduled to make the global banking industry a \$43.15 billion business by 2026.

TABLE.1 NATIONWIDE TOTAL DIGITAL TRANSACTIONS MADE IN YEARS (2018-2021)

| Years | Volume (in lakhs) | Value (in crore) |
|-----------|-------------------|------------------|
| 2018-2019 | 2,32,602 | 16,37,13,425 |
| 2019-2020 | 3,41,240 | 16,20,89,413 |
| 2020-2021 | 4,37,118 | 14,14,85,173 |

Source: Reserve Bank of India Bulletin -2021



In 2018-19 the total digital banking transaction volume was 2,32,602 lakhs, and in 2019-20, it grew to 3,41,240 lakhs, representing an increase of 88% in two years. In 2020-21 it predicted an increase of 4,37,118 lakhs. This demonstrates India's banking sector's consistent growth in digital banking transaction volume. In terms of the total value of digital banking transactions, the real value is 1,637 crores in 2018-19, 1,620 crores in 2019-20, and 1,414 crores in 2020-21, respectively. The table shows that the value of digital banking transactions shows a sharp decline in the Covid-19 period, and it is further cleared from the above figure.

TABLE.2 STATUS OF DIGITAL PAYMENT INDICATORS (2018-2021)

| Items | Volume (in lakhs) | | | Value (in crore) | | |
|----------------------------|-------------------|----------|----------|------------------|--------------|--------------|
| | 2018-19 | 2019-20 | 2020-21 | 2018-19 | 2019-20 | 2020-21 |
| RTGS | 1,366 | 1,507 | 1,592 | 13,56,88,187 | 13,11,56,475 | 10,55,99,849 |
| Credit transfer | 1,18,481 | 2,06,506 | 3,17,852 | 2,60,90,471 | 2,85,62,857 | 3,35,22,150 |
| Debit transfer | 4,914 | 7,525 | 10,456 | 5,24,556 | 7,19,708 | 8,72,552 |
| Credit card payment | 17,626 | 21,773 | 17,641 | 6,03,413 | 7,30,895 | 6,30,414 |
| Debit card payment | 44,143 | 50,611 | 40,200 | 5,93,475 | 7,03,920 | 6,62,667 |
| Prepaid payment | 46,072 | 53,318 | 49,392 | 2,13,323 | 2,15,558 | 1,97,695 |
| Paper based payment | 11,238 | 10,414 | 6,704 | 82,46,065 | 78,24,822 | 56,27,189 |

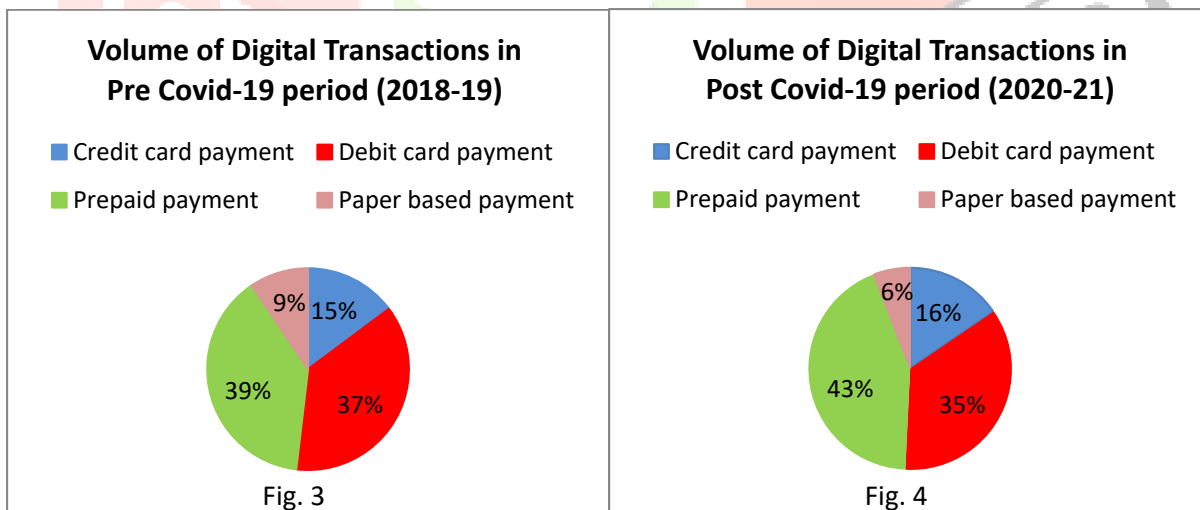
Source: Reserve Bank of India Bulletin -2021

During the initial stages of the nationwide lockdown due to the Covid-19 pandemic, digital payments decreased. However, as the lockdown gradually relaxed, the value and volume of payments increased substantially. Among the digital payment channels, the number of transactions using RTGS increased by 5.7 % for the year 2020-21, with a total value of 1,056 lakh crore, a decrease of 19.5 % compared to the previous year, owing to a reduction in large value business operations in line with the loss of momentum in economic activity. The RTGS facility was offered through 1,75,947 branches of 227 banks at the end of March 2021. During the year, transactions through the National Electronic Funds Transfer (NEFT) system increased by 12.7%. 1,75,283 branches of 225 banks offered the NEFT facility at the end of March 2021. The number of payment processing transactions made with credit and debit cards declined by 19.0% and 20.6%, respectively, in 2020-21. During the same period, the value of credit card transactions decreased by 13.7%, while debit card transactions decreased by 5.9%. Prepaid Payment Instruments (PPIs) have seen a 7.4% decline in volume in 2020-21 compared to a 15.7% increase the previous year, while transaction value declined to 8.3%. The number of paper based transactions has shown remarkable decrease in Covid times from 11,238 lakhs to 6,704 lakhs in 2020-21.

TABLE.3 PROGRESS OF DIGITAL BANKING IN PRE AND POST COVID-19 PANDEMIC

| Indicators | Pre Covid-19 period (2018-19) | Post Covid-19 period (2020-21) |
|---------------------|-------------------------------|--------------------------------|
| Credit card payment | 15% | 16% |
| Debit card Payment | 37% | 35% |
| Prepaid Payment | 39% | 43% |
| Paper based Payment | 9% | 6% |

Source: Reserve Bank of India Bulletin -2021



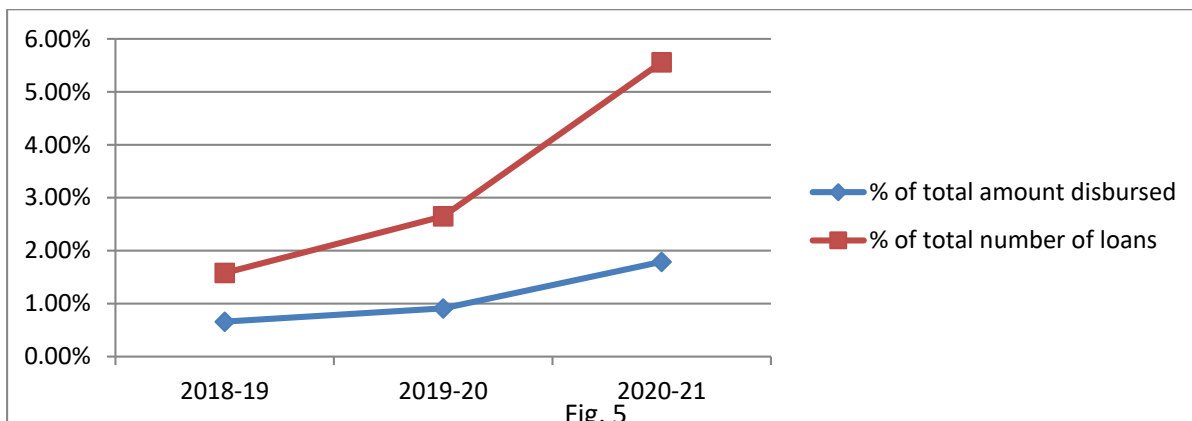
As seen above, paper-based payments account for 9% of all transactions in 2018–19, which reduced to 6% in 2020-21. At the same time, prepaid payment transactions account for 39% in 2018-19, this reached to 43% in 2020-21. During 2018-19, the number of credit and debit card payment transactions expanded by 16% and 35%, respectively, which is approximately the same. When India was slowly moving towards digitalization, most of the population preferred cash payments. During 2018–19 the primary mode of the transaction was electronic, with digital payments contributing 91% of total payments and paper-based payments contributing only 9%, which further increased to 94% in terms of

digital transactions in post Covid times. However, banking in the future will not be entirely digital at least not for all users. People still prefer to banking in-branch depending on the service. Not all first-time users have been convinced; people would like to return to in-branch banking in post-pandemic times.

TABLE.4 COMMERCIAL BANKS LOANS DISBURSEMENT THROUGH DIGITAL BANKING IN PRE AND POST COVID-19 PANDEMIC

| FY | Loans Disbursement through Digital Channels | |
|---------|---|----------------------------|
| | % of total amount disbursed | % of total number of loans |
| 2018-19 | 0.66% | 1.58% |
| 2019-20 | 0.91% | 2.65% |
| 2020-21 | 1.79% | 5.56% |

Source: Reserve Bank of India Report -2021



Based on data from a representative sample of banks from RBI, commercial banks are presenting 75% of total assets of banks as of March 31, 2020; it is witnessed that financing through the use of the online mode is still in its infancy in banks 1.12 lakh crore via digital method and 53.08 lakh crore via physical way. In pre Covid pandemic times, the proportion of total loan amount of commercial banks dispensed by online mode was 0.66% and 0.91% and trailed in terms of a total number of loans to 1.58% and 2.65%, respectively. Since then, it has made significant progress in post Covid pandemic times; the proportion of total loan amount dispensed by online mode was 1.79%, and in terms of percentage of loan amount distributed, it was 5.56%.

VI. FINDINGS OF THE STUDY

In India, the Covid-19 pandemic has decreased the value digital transactions during the initial period, but gradually, it shows high jumps. The pandemic of Covid-19 had a favorable impact on the creation and introduction of technologically improved financial products. The banking sector may also notice the increase in all digital banking transactions. During the fiscal year 2018-19, 2,32,602 lakh transactions of worth Rs 16,37,13,413 crore were done through digital mode and in 2019-20, 3,41,240 lakh transactions of worth Rs 16,20,89,413 crore were done through digital mode and 4,37,118 lakh transactions were completed in 2020-21, worth of Rs 14,14,85,173 crore. The total number of transactions has climbed by 28 %. In terms of value, there has been a drop of roughly 13%. This was attributed to a slowdown in industries and a drop in digital payments when business activity ceased. The amount of card payment

transactions made with credit and debit cards declined by 19.0 % in 2020-21. Commercial banks loans disbursement through digital banking has shown increase in post Covid-19 pandemic as compare to pre Covid-19 pandemic period. An overall analysis shows that there is a decreasing trend in paper based transactions compare to digital banking transactions in Covid- 19 period.

VII. SUGGESTIONS

Meanwhile, while internet banking is becoming increasingly crucial to a rising number of customers, banks must continue to provide excellent customer service in person. Many customers still prefer personal in-branch service, particularly for more sophisticated services and guidance, just as the majority still value local branches. Banks should continue to focus on specific consumer segments and offer entirely online banking to those who want it. Still, any bank trying to increase above "digital natives" should provide a multifaceted approach that combines online and in-branch services. Banks are required to switch their focus from functional quantity to service quality. In brief banks are required to focus on certain points:

- To help customers recover from the effects of Covid-19, banks must continue to focus on their concerns.
- Banks can also improve their web channels by customized them with self-selection navigation and tailored online banking communication.
- Banks must also modify their business strategies to improve profitability and sustainability.
- Risk management thresholds must reflect wider economic transformations, and more attention must be paid to customer segments that are more difficult to serve.

VIII. CONCLUSION

The Covid-19 crisis has sparked a significant movement toward digital markets and finance. It was discovered that the majority of customers are using mobile banking services because it is time saving, cost effective, reliable, and easy to use than traditional banking, provides timely update and maintenance of records due to Covid-19 crisis, and provides contactless payment because it does not involve handling paper money. The outbreak of the Covid-19 pandemic has thrown India's economy into disarray. Banks are continued to use technology to deal with the challenges. In India, banking services are marked as a list of essential services. Financial institutions and banking were targeted under enormous pressure to keep everything running smoothly despite the crisis. Banking and finance are under tremendous pressure to maintain a business shutdown and avoid a health disaster. At the same time, the pandemic have a detrimental impact on the banking sector and is necessary for economic recovery. However, the crisis has exacerbated bank competition by hastening trends toward digitalization and new financial service providers. Digitalization of finance, if done correctly, will be more efficient and cost-effective for both banks and customers. Digital payments have exploded in popularity in recent years, and India's payments industry is estimated to reach US\$ 1500 billion by 2025. Indian digital payments get a boost sector, and an increased number of customers switch to digital modes every day.

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