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DIGITISATION IN BANKING SECTOR IN INDIA: AN OVERVIEW

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ABSTRACT

The financial area in India has witnessed various changes. The banks are the life savers of the economy and assume a synergist part in actuating and supporting monetary development, particularly, in agricultural nations and India is no special case. Driving patron for GDP in India is Banking Industry. The vast majority of the banks have started to take a develop approach towards banking, with the goal of making more incentive for clients in the banks. Banking in India has effectively gone through an immense change in the years since autonomy. These days we have E Banking framework alongside cash notes. India's money related framework can make another instrument alongside liquidity and security. The Indian financial area where presented appearance of the card, presentation of Electronic Clearing Service (ECS) in 1990's, EFT, RTGS, NEFT, versatile banking, web-based banking are the different developments in banking. This paper focuses an outline of advancements in financial area i.e. banking system.

KEYWORDS: Digital banking, E Banking, Cyber Frauds, E Wallet, Online Banking

INTRODUCTION

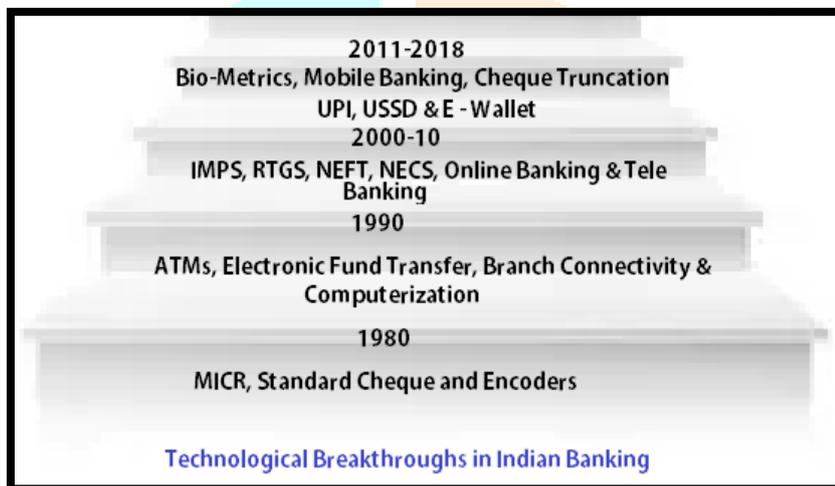
The globe has arrived at a period known as Digital Darwinism,' in which innovation and culture advance beyond what numerous associations can react to the changes. The ascent of the advanced five forces - Social, Mobile, Analytics, Cloud, and Internet of Things (IoT) - is producing new and valuable wellsprings of market information, better approaches to deal with information, and practical approaches to do as such. The significance of computerized in India is tremendous; as per a World Economic Forum overview, just four advanced tasks could release US\$ 1.2 trillion in incentive for Indian business and society over the course of the following decade, representing generally 40% of public GDP in 2015.

Banking industry is a spine of Indian monetary framework and it is beset by many testing powers. One such power is insurgency of data innovation. In the present time, innovation support is vital for the fruitful working of the financial area. Without IT and correspondence, we can't consider the achievement of banking industry, it has broadened the job of banking area in Indian economy. For making an effective financial framework, which can react sufficiently to the necessities of developing economy, innovation has a vital task to carry out. In recent years, banks in India have put vigorously in the innovation, for example, Tele banking, portable banking, net banking, ATMs, Visas, charge cards, electronic instalment frameworks and information warehousing and information mining arrangements, to acquire upgrades nature of client administrations and the quick handling of banking activity. Weighty interests in IT have been made by the banks in the assumption for development in their exhibition. In any case, significant in the exhibition relies on, contrasts in the organization, use and adequacy of IT.

Passage of innovation in Indian financial industry can be followed back during the 1990s, the financial area saw different progression measure. One of the significant targets of Indian financial area changes was to empower operational independence, adaptability and rivalry in the framework and to build the financial norms in India to the global prescribed procedures. Without any difficulty of permitting standards, new private and unfamiliar banks arose furnished with most recent innovation. Liberation has opened up new freedoms to banks to expand incomes by enhancing into venture banking, protection, charge cards, contract financing, safe administrations and so forth. The part of banking is re-imagined from a simple mediator to specialist organization of different monetary administrations under one rooftop acting like a monetary grocery store.

Significant events in development of Information Technology: -

1. Coming of MICR based check preparing
2. Coming of card-based transaction
3. Coming of Electronic Clearing Services
4. Coming of RTGS/NEFT
5. Coming of Check Truncation System (CTS) or Image-based Clearing System (ICS)
6. Coming of Core Banking Solutions (CBS)
7. Coming of Automated Teller Machine (ATMs)
8. Coming of Phone and Tele Banking
9. Coming of Internet and Mobile Banking



Emerging Trends in Indian Banking System

In recent years, the Indian banking sector has recognised the importance of emerging technology and has begun to adopt digital banking. They are investing heavily in digital technology in order to include multiple solutions such as mobile banking, e-wallets, and virtual cards, among others. Digital-only/Virtual Banking, Biometric Technology, Artificial Intelligence, Blockchain Technology, Bitcoin, and Robotics are a few examples of primary developments in digital banking.

Digital Only-Banking System: A digital-only bank offers end-to-end services via digital channels such as smartphones, tablets, and the internet. It is a paperless, branchless, and signature-less banking operation that is available to its customers 24 hours a day, seven days a week. In India, Aadhaar infrastructure is used to support digital-only banking. Account opening, term deposits, advances, and financial instruments such as insurance and mutual funds are all available from digital-only banks. Although digital banking is convenient and inexpensive, there are still security risks. The speed at which digital-only banks expand would be determined by their ability to resolve security issues. Biometric authentication will remove the need for different passwords and PIN codes. The Indian banking sector is also increasingly implementing biometric authentication to provide its customers with a convenient and safe banking experience.

Artificial Intelligent (AI): Through dealing with each client individually and relying on their unique needs, AI will offer simple and customised services. It can be used to gather data, automatically create models based on that data, infer, and interact in a natural manner. Only major banks in India are currently attempting to incorporate AI into their services. Machine learning, computer vision, natural language progression, and

natural language generation are core components of AI. Though not yet mainstream, the use of robotics in the Indian banking sector is expected to gain traction in the coming years. Currently, some Indian banks are deploying robots to address consumer questions about banking transfers, demat accounts, locker facilities, fixed deposits, loans, and so on. Aside from humanoid robots delivering customer support, software robots are being used in a variety of roles, including retail banking activities, agri-business, exchange & forex, treasury, and human resource management, to name a few.

REVIEW OF LITERATURE

Maiyaki and Mokhtas (2010) demonstrated in their study that there is no relationship between population statistics and bank selection. It was also discovered that there is a statistically important association between age and bank preference. Selvam and Nanjappa (2011) analysed customers' knowledge and happiness with ICICI bank's e-banking using crucial statistics from E-banking users in their research. It shown that college students had a higher level of understanding than other educational classes. According to the report, the wage group earning more than \$10,000 a month has a higher degree of awareness than other income levels. It was shown that it also depends on the size of the family. Gender is a critical factor in the adoption of internet banking. Gupta and Mishra (2012) investigated the latest emerging E-banking developments in the Indian banking industry. According to the report, banks face numerous obstacles in E-banking, but there are also numerous opportunities open. It was concluded that the banking industry would need to master a new business model by focusing on management and customer support. It also recommended that banks make concerted attempts to provide quality offerings to their customers. Chavan (2013) discussed the advantages and disadvantages of Internet banking in a developing economy. It was discovered that online banking is now displacing conventional banking practises. It demonstrated that online banking has many advantages that add value to customer loyalty in the form of higher quality service services while still allowing banks to achieve a competitive edge. It also addressed some of the problems that a developing economy faces. Haq and Khan (2015) investigated the threats and prospects in the Indian banking industry. Since analysing the population characteristics, the analysis found that only 28% of banking clients used internet banking. It discovered that there was no statistically meaningful association between age and use of cyber banking. It also shown that there is no correlation between gender and the use of internet banking. It was discovered that respondents' qualifications in terms of education and income played a part in their adoption of online banking. According to the report, it is imperative that financial literacy of users be improved through numerous programmes run by banks to increase understanding of internet banking.

OBJECTIVES OF THE STUDY

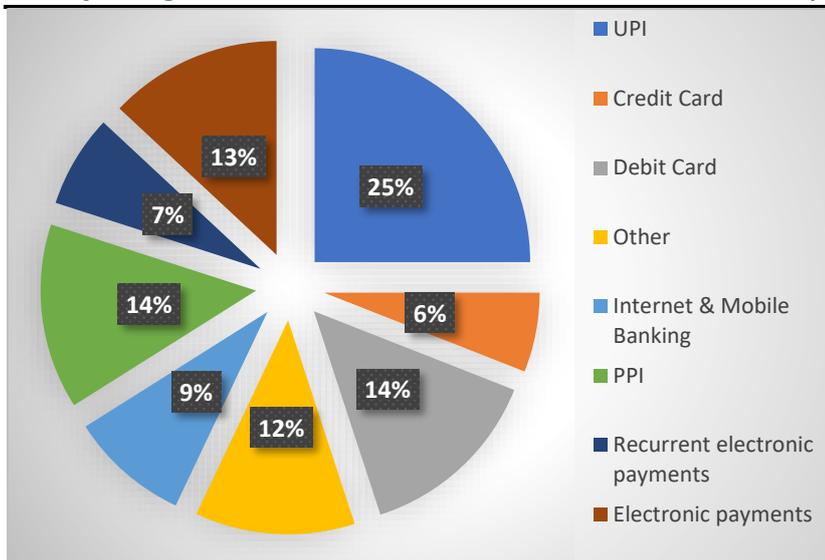
1. The study's aim is to highlight emerging developments in the banking sector digitally.
2. To study the challenges face by the system due to digitisation.

RESEARCH METHODOLOGY

The paper is the product of exploratory analysis. For the current analysis, secondary data sources were used to gather information. The required and applicable data was gathered from national and foreign publications, books, newspapers, and other sources.

PRESENT SCENARIO IN DIGITAL BANKING IN INDIA

Technological advances in the digital payment environment are dramatically transforming lives and supplying end users with speed, ease, and security. According to the graph, UPI is the most common method of payment among customers, accounting for 25%. This transition has been visible since the demonetization in 2016 to combat black money. To achieve greater transparency in financial transactions, the government emphasised e-banking, mobile banking, and online banking.



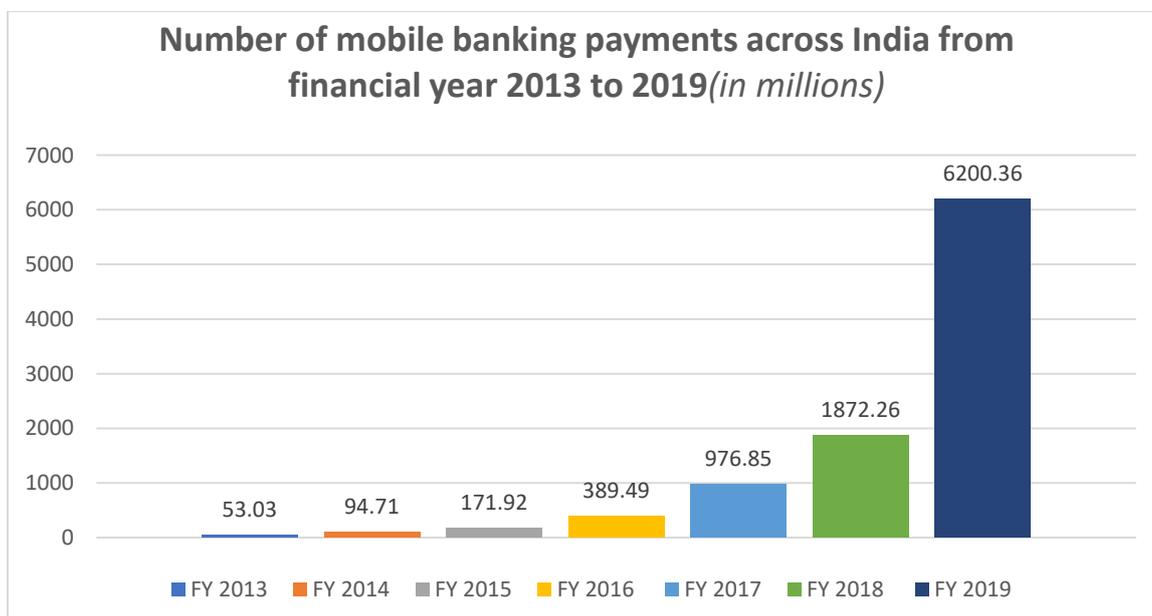
Sources: Reserve Bank of India; DigiDhan Dashboard; NPCI. Share of digital payments by volume from April to Sept 2019

When the BJP came to power in 2014, they prioritised financial inclusion for disadvantaged groups such as poorer sections and low-income groups at an affordable rate. Financial inclusion is a national goal for the government because it facilitates sustainable development.

Total number of PMJDY accounts (as of August 19, 2020): 40.35 crore; rural PMJDY accounts: 63.6 percent; and female PMJDY accounts: 55.2 percent. During the scheme's first year, 17.90 crore PMJDY accounts were opened. The number of accounts under PMJDY continues to grow. On the one hand, there has been a rise in the number of account holders in banks across the country, while on the other hand, digital inclusion is paving the way for account holders to have easier access to and other facilities at their fingertips.

According to datareportal.com, in January 2021, India had 624.0 million internet users. Around 2020 and 2021, the number of internet users in India grew by 47 million (+8.2 percent). In January 2021, India's internet penetration was 45.0 percent. Whereas, in January 2021, India had 1.10 billion smartphone connections. Between January 2020 and January 2021, the number of mobile connections in India increased by 23 million (+2.1%). In January 2021, the number of mobile connections in India was equal to 79.0 percent of the total population.

In fiscal year 2019, approximately 6.2 billion mobile banking payments were made in India. This was a significant improvement from the previous fiscal year. The Indian digital payments industry is expected to hit one trillion US dollars by 2023.



Source: Statista Research Department, March 2021

Looking at the current situation in India, one can see that people are increasingly taking advantage of digitalization in banking. Historically, banking activity has been focused on “prod increasing revenue targets”) rather than learning how to better delight its clients. Banks have recently shown a desire to become more customer-focused. With the aid of digitalization, Indian banks are now not only gaining more clients, but also providing excellent services in terms of quality. It is critical to ensure regulatory enforcement in this creative business model for smooth and long-term implementation. In the modern world, the main obstacle is to ensure that all consumers are safe from cybercrime and that the most modern cybernetic principles are used. The transition to digitalization and its continuation should help to lower business prices by reducing manpower and automating the infrastructure.

DIGITAL BANKING CHALLENGES

The term "digital banking problems" refers to the conditions that hinder digital banking from stabilising and becoming a common banking method for all. They are as follows:

1. **Digital Inequality:** This is one of the first things that comes into one’s mind when keeping money is mentioned anywhere. It is, however, sad to say that hackers are still giving financial institutions a run for their money. Therefore, some customers are not willing to take any chances. Note that banking security is nothing like downloading and installing an antivirus.
2. **Lack of infrastructural facilities:** The digitalization of rural banking necessitates the provision of infrastructural facilities, primarily electricity and communication networks.
3. **Data Security: External Threats and Regulatory Requirements** continue to propel ‘Data Security’ in banks, while ‘Data Privacy’ is increasingly gaining traction. Information Security is now regarded as an IT-centric feature, with no communication with the Fraud Management function. Banks face significant challenges due to a lack of consumer knowledge about information security and the danger posed by vulnerable customer end points.
4. **Bank Cybersecurity Attacks:** Banks are vulnerable to a variety of cyber security threats. In the RBI describes new information technology attacks on banks as Phishing, Cross-site scripting, Vishing, CyberSquatting, Bot networks, E-mail-related offences, Malware, SMS spoofing, Denial of service attacks, Pharming, and Insider threats.
5. **Online Frauds:** According to the RBI’s annual survey, the amount of bank frauds of 100,000 or more has more than doubled to 1.85 lakh crores in FY20, up from 71,500 crores in FY19. In addition, the number of such cases has risen by 28% during the same time frame. The financial industry, on the other hand, has made constant efforts to protect its systems and consumers. However, criminal hackers are using different methods to dupe people over the internet in order to rob their money or personal information.

CONCLUSION

Despite tremendous progress in financial inclusion over the last decade, especially in India and China, approximately 1.7 billion people remain unbanked today, with nearly all of them residing in developed countries. Women, the old, and young people are overrepresented among the unbanked. The new scheme penalises anyone who can least afford it.

India has adopted a public sector “stack-type” architecture that promotes and internalises the benefits of disruption within the regulatory system. India also exemplifies how numerous policy changes related to digital finance, such as the restructuring of the conventional banking system with the central bank (regulator) playing a key role, will address many of the problems of financial growth and inclusion that previously seemed insurmountable. The rails that comprise the stack can be constructed in parallel or in series, with strong combinatorial results not only in financial inclusion, but also in social security and improved access to government programmes. It can be argued that the implementation of digitization in banking in India aided in the improvement of Indian banking operations in terms of bank employees' efficiency and overall results. Because of technological advancements, fraudsters are now using computers to commit fraud in new and creative ways. For the advancement of banking services and consumer trust, banks must develop sound fraud risk management and fraud controlling mechanisms.

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