



A Study on Digital Revolution in the Indian Banking Sector

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Abstract:

The Banking sector plays an important role in the development of any country's economy. The financial support required by the economy to grow and develop has been supported by a strong and sustainable banking system. The banks in India have started computer-based technology in late 1980s. A strong and healthy banking system is important requirement for economic growth. Indian banking industry, today has undergone a major change and is observing an IT revolution. Implementing the internet banking approach has benefited both the consumers as well as banks. Considering the benefits, the banks all over the globe have implemented the internet banking and banking organizations in India are no exception. The competition among the banks has led to the increasing total automation in the Indian banking industry. Digital Banking is a generic term encompassing internet banking, telephone banking, mobile banking etc. Through Digital Banking the bank wants to introduce the core concept of IT based Enabled Services. The present research paper highlights Digital Banking, Information Technology, opportunities of digital banking in the banking sector in India with a study on Digital Revolution in the Indian Banking Sector.

Keywords: *Digital Banking, Information Technology, Advantages of Digital Banking, Opportunities of Digital Banking.*

Introduction:

Liberalization and de-regulation process, which started in 1991-92 has made a drastic change in the Indian banking system. From a totally regulated environment, we have gradually moved into a market driven competitive system. Information Technology is the buzzword in today's times in all sectors. Tremendous progress has taken place in the field of technology which has reduced the world to a global village and it has brought remarkable changes in the banking industry too. Banking sector today operates in a highly globalized, liberalized, privatized and a competitive environment. IT has introduced new business paradigm. It is increasingly playing a vital role in improving the services in the banking industry. Indian banking

industry has witnessed a tremendous development due to the changes that are taking place in the information technology.

In today's era, one cannot think about the success of any service industry including banking industry without information technology. It has increased the contribution of banking industry in the economy. Financial transactions and payments can now be processed quickly and easily in friction of seconds. Every second development in Information Technology (IT) and its acceptability by the commercial banks in India has enabled them to use IT extensively to offer their products and services to customers apart from just back office processes. Banks with latest information technology techniques are more successful in the cut throat competitive

market in these days. Further, they can generate more and more business opportunities resulting in greater profitability. Information technology revolution in banking sector has not only provided improved service to the customers, but also reduced the operational cost.

Digital banking is the term that signifies and encompasses the entire sphere of technology initiatives that have taken place in the banking industry. It is a generic term making use of electronic channels through telephone, mobile phones, internet etc. for delivery of banking services and products. Digital banking has broken the barriers of branch banking. It allows individual customers to perform banking activities at off-sites such as home, office and other locations via internet based secured networks. It also enables customers to perform all routine transactions, such as account transfers, balance inquiries, bill payments and stop-payment requests, and some even offer online loan and credit card applications.

To survive in emerging competitive situation banks need to modify their services and upgrade their information technology system. Now more and more people are switching to electronic platforms for executing financial transactions. The wider usage of cell phone and internet connection in mobile, laptop and PC seems to be playing a role in blurring physical boundaries. There are huge opportunities for banks in tapping newer customer segments and providing various services through digital banking.

Objectives of the Study:

- 1) To study the use of Information Technology in Indian banking sector.
- 2) To identify various digital banking services provided by Banks in India.

- 3) To study the Advantages and opportunities available for digital banking.

Research Methodology:

The study is descriptive in nature. The data used for the study is secondary in nature and has been collected from the concerned sources as per need of the research. Various reputed journals, newspapers, relevant books, documents of departments and organizations, articles, and various websites are used in this paper writing.

Digital Banking in India:

The need for computerization was felt in the Indian banking sector in late 1980s, in order to improve the customer service, book-keeping and MIS reporting. In 1988, Reserve Bank of India set up a Committee on computerization in banks headed by Dr. C. Rangarajan.

Banks began using Information Technology initially with the introduction of standalone PCs and migrated to Local Area Network (LAN) connectivity. With further advancement, banks adopted the Core Banking platform. Thus branch banking changed to bank banking. Core Banking Solution (CBS) enabled banks to increase the comfort feature to the customers as a promising step towards enhancing customer convenience through anywhere and anytime banking. Different Core banking platforms such as Finale designed by Infosys, BaNCS by TCS, FLEXCUBE by i-flex, gained popularity.

The process of Computerization gained pace with the opening of the economy in 1991-92. A major driver for this change was propelled by rising competition from private and foreign banks. Several commercial banks started moving towards digital customer services to remain competitive and relevant in the race.

Digital Banking has become an integral part of banking system in India. Till the early 90's traditional model of banking i.e. branch based banking was prevalent, but after that non-branch banking services were started. The credit of launching internet banking in India goes to ICICI Bank. Citibank and HDFC Bank followed with internet banking services in 1999. The Government of India enacted the IT Act, 2000 with effect from October 17, 2000 which provided legal recognition to electronic transactions and other means of electronic commerce. The Reserve Bank monitors and reviews the legal and other requirements of digital banking on a continuous basis to ensure that digital banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability. To cope with the pressure of growing competition, Indian commercial banks have adopted several initiatives and digital banking is one of them. The competition has been especially tough for the public sector banks, as the newly established private sector and foreign banks are leaders in the adoption of digital banking.

Current Status in Digital Banking:

Indian Government is aggressively promoting digital transactions. The launch of United Payments Interface (UPI) and Bharat Interface for Money (BHIM) by National Payments Corporation of India (NPCI) are significant steps for innovation in the Payment Systems domain. UPI is a mobile interface where people can make instant funds transfer between accounts in different banks on the basis of virtual address without mentioning the bank account.

Today banks aim to provide fast, accurate and quality banking experience to their customers. Today, the topmost agenda for all the banks in India is digitization.

According to the RBI Report in 2016-17 there are 2, 22,475 Automated

Teller Machines (ATMs) and 25, 29,141 Point of Sale devices (POS). Implementation of electronic payment system such as NEFT (National Electronic Fund Transfer), ECS (Electronic Clearing Service), RTGS (Real Time Gross Settlement), Cheque Truncation System, Mobile banking system, Debit cards, Credit Cards, Prepaid cards have all gained wide acceptance in Indian banks. These are all remarkable landmarks in the digital revolution in the banking sector. Online banking has changed the face of banking and brought about a noteworthy transformation in the banking operations. National Electronic Funds Transfer (NEFT) is the most commonly used electronic payment method for transferring money from any bank branch to another bank in India. It operates in half hourly batches. At present there are 23 settlements.

Real Time Gross Settlement (RTGS) is primarily used for high-value transactions which are based on 'real time'. The minimum amount to be remitted through RTGS is Rupees Two Lakhs. There is no upper limit.

Immediate Payment Service (IMPS) is an instant electronic funds transfer facility offered by National Payments Corporation of India (NPCI) which is available 24 x 7.

The usage of prepaid payment instruments (PPIs) for purchase of goods & services and funds transfers has increased considerably in recent years. The value of transactions through PPI Cards (which include mobile prepaid instruments, gift cards, foreign travel cards & corporate cards) & mobile wallets have jumped drastically from Rs.105 billion and Rs. 82 billion respectively in 2015-16 to Rs. 277 billion and Rs. 532 billion respectively in 2017-18.

Indian banks offer to their customers following various digital banking products and services:

Automated Teller Machines (ATMs), Internet Banking, Mobile Banking, Phone Banking, Tele Banking, Smart Cards,

Electronic Fund Transfer Electronic Clearing Services, Electronic Clearing Cards, ext.

Advantages Of Digital Banking:

- 1) Taxes with less money in the home and more in the bank have little scope for hiding the income list and avoiding taxes, thus increasing the number of taxpayers across the country.
- 2) Transparency and accountability are easy to track cash flows with every transaction being recorded with buyers, sellers and regulators, making the system more transparent and compatible. Over the long term, this has led to greater business and investment potential for the whole economy, and the currency in banks will mean more money flowing into high liquidity economies.
- 3) Reduced red-tapism and bureaucracy through non-cash transactions, electronic means tracking, electronic exchange tracking, and reporting on people cutting down corruption and increasing service time.
- 4) Digital banking banks have significantly reduced bank operating costs. This allows banks to charge fees down and provide higher interest rates for deposits. Low operating costs mean more profits for the bank.
- 5) People, especially in rural areas, benefit from banking services. Most of the rural population has joined the banking process with the development of digital MEDC Economic Digest October 2021 banking. In addition, people can carry out their operations on the web.
- 6) There are technologies that are convenient for banks and customers to get great services just by getting into the system. These services include financial planning, budget preparation, and predictive tools, credit calculators, investment analysis and stock trading. The forum contains a simple program on the Bank's website.

- 7) In addition, most banks offer opportunities for online tax forms and tax preparation.

Opportunities in Digital Banking:

Untapped Rural Markets: Contributing to 70% of the total population in India is a largely untapped market for banking sector. In all urban areas banking services entered but only few big villages have the banks entered. So that the banks must reach in remaining all villages because majority of Indian still living in rural areas.

Competitive Advantage: The benefit of adopting digital banking provides a competitive advantage to the banks to banks, improves customer relation, increases the geographical reach of the bank, etc. The benefits of e- banking have become opportunities for the banks to manage their banking business in a better way.

Multiple Channels: Banks can offer so many channels to access their banking and other services such as ATM, Local branches, Telephone/mobile banking, video banking etc. to increase the banking business.

Internet Banking: It is clear that online finance will pick up and there will be increasing convergence in terms of product offerings banking services, share trading, insurance, loans, based on the data warehousing and data mining technologies. Anytime anywhere banking will become common and will have to upscale, such up scaling could include banks launching separate internet banking services apart from traditional banking services.

Retail Lending: Recently banks have adopted customer segmentation which has helped in customizing their product folios well. Thus retail lending has become a focus area particularly in respect of financing of consumer durables, housing, automobiles etc., Retail lending has also helped in risks dispersal and in enhancing the earnings of banks with better recovery rates.

Worthy Customer Service: Worthy customer services are the best brand ambassador for any bank for growing its business. Every engagement with customer is an opportunity to develop a customer faith in the bank. While increasing competition customer services has become the backbone for judging the performance of banks.

Conclusion:

In the 21st century, digital banking has attracted the attention of all banks in India. Consumer banks have implemented e-banking facilities, as these are beneficial for the banks as well as the consumer customers. Banks today are facing many challenges and there are many options available to banks. Digital Banking Currently all banks some banking for all customers banking will be the most preferred form of banking.

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