



Digitalization in the realm of Indian banking

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Abstract

Information technology has become a necessary tool for today's organizations and banking industry is not an exception. Digital banking is modern technology based on computerized system of providing banking systems to client with low cost and quick services. Digital banking is part of the broader context for the move to online 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. Digital banking involves high levels of process automation and web-based services and may include APIs enabling cross-institutional service composition to deliver banking products and provide transactions. 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. It provides the ability for users to access financial data through desktop, mobile and ATM services. This paper examines the evolution and role of digitalization in India. It also focuses on the prospects, trends and the extent of scope of the effect of digital technology in the domain of Indian banking.

Keywords: digitalization, digital banking, automation

1. Introduction

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 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

Digital banking is the digitization (or moving online) of all the traditional banking activities and programs that historically were only available to customers when physically inside of a bank branch. This includes activities like:

- Money Deposits, Withdrawals, and Transfers
- Checking/Saving Account Management
- Applying for Financial Products
- Loan Management
- Bill Pay
- Account Services

The Evolution of Digital Banking

The ATM cards and credit cards were pioneers in digital banking so to speak; these cards prepared the way for further development in digital banking. It was the introduction of internet in the early 90's that brought about the revolution in the banking sector. The traditional banks on the street side started to think about various ideas that could help them to cut down on their operating cost and provided restricted online bank services.

The efforts in this area proved to be beneficial, and so the banks took another leap towards creating their own space on the internet by designing a website. The website opened up a way for many features like opening new accounts online, downloading the necessary forms, and also applying for online loans. Under the digital banking umbrella, with time, there were many new features added, such as income tax filing, bill payments, transfer of funds, opening recurring accounts, fixed deposit, etc.

Role of digitization in banking in India

Banks in India 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 a 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). As the networks grew and banks began to connect together, Core Banking came into being. Centralized Online Real-time Exchange (CORE) banking thus allowed customers to perform financial transactions and access their account from any of the participating bank's branches. These services made it easier for customers to operate their accounts and slowly led to the coining of the phrase: 'Anytime, Anywhere Banking.' Then Automated Teller Machines (ATMs) arrived on the scene, and electronic fund transfers were made possible.

Online banking and Telebanking made their appearance in the 2000's and different modes of online fund transfers were instituted such as Real Time Gross Settlement (RTGS), Immediate Payment System (IMPS), National Electronics Fund Transfer (NEFT), and National Electronic Clearing Service (NECS). Recent years have seen the growth in mobile banking services and other innovative services online.

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.

Prospects of Digital Banking

•Banking is much easier

The online banking feature provides you the luxury for banking anytime and anywhere. Throughout the year, the website services are offered round the clock for internet banking; except for time needed for website maintenance. On the internet banking page, you can see the summary of your real-time bank account. This mode of banking helps to keep a check on the bank account at any time. Even if you want to make some payments, change your mailing address, or contact details, all that you need to do is click on few pages.

• Advanced banking options

These days, there is a lot of competition in the banking sector, and most banks want to have an edge over other banks to be successful. Therefore, the banks come up with advanced websites that have several banking options. Some of the sturdy features of digital banking on advanced websites are loan calculators, premium calculators, financial planning tools, tools to help analyze investments, budgeting, forecasting, and also tax preparation, etc. This helps a consumer to keep alert with many different features in an effortless way. As a result, most of the financial planning can be done efficiently without the need to personally visit a bank.

• Mobile banking options

Banks come up with several advanced apps that help in online banking from the smart phones. As a result, the customers can do online banking from anywhere and at any time. The banks make mobile friendly websites and features that help customers to bank efficiently. With just a few clicks on the mobile phones, the money can be transferred and bills can be paid with great ease

• Highly beneficial option for businesses

Many businesses have built their brands and are thriving only because of the digital banking. If we did not have the luxury of online banking, the businesses like Amazon and eBay may not be in existence today. However, now the businesses can enable online payments option and every process is made simple after that. The businesses can see their banking activities such as the deposits, wired funds, bank checks, and so on. So rather than waiting for monthly statements, the businesses can take instant decision about their functioning. The errors and delays can be quickly sorted out before any negative impact to the business.

• Increased productivity in business

With the help of digital banking, most businesses do not have to rely on the bank operation timings. Now the payments can be made and received even in the odd hours. There are also some processes like paying bills or making regular payments that can be automated in the digital banking platform. As a result, the businesses are able to save a lot of time on the manual processes and this has a great impact on their productivity.

• Easy transfer of payments

One of the most important things for businesses these days is time, and so they want to use it on something that is providing them more value. The digital banking helps the businesses to easily transfer payments in their employee bank accounts. Some of the regular transfers can also be automated, and so the professionals are able to use their valuable time on something that is more important. As a result, the internet banking adds more value to most of the businesses.

• Made everything easy

With the help of digital banking, now shopping, travelling, eating, healthcare, entertainment, business, etc. have become more efficient. Almost every purchase these days can be done with the help of internet banking. With the advancement in digital technology, now most people do not even visit their banks as the maximum amount of their work is done online or is automated. Digital banking has made everything easy for everybody.

• Wide range of potential

Above mentioned are just some of the areas that we have seen in the digital banking. However, when we see the growth rate and applications in online banking, we can get a fair idea about what all things we can expect in the future. Even with hundreds of features to offer, it is right to say that digital banking has many more features to offer in the future.

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

- **Chatbots**

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

- **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.

- **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.

- **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. Today, even in rural areas, has become computer literate and wants the conveniences and advantages of digital banking.

Future of Digital Banking

The decision for banks to add more digital solutions at all operational levels will have a major impact on their financial stability. While not all banks are in a position to make quick changes to IT infrastructure or the architecture on top of it, banks aiming to be disrupters can move toward broad end-to-end automation can do so over about a six-month time frame.

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