

ROLE OF DIGITAL BANKING IN INDIA

Gursimran Kaur

B.com I Student, Government College for Girls, Ludhiana

Abstract

The information technology has revolutionized various aspects of our life. The world at large is rapidly entering into the 'Net Age.' The internet or simply 'Net' is an inter connection of computer communication networks covering on the whole world. The growth and expansion of Internet and Information technology have facilitated the emergence of E-commerce. Internet banking or E-banking has attracted the attention of banks, securities, insurance companies in developing nations since the late 1990's and the rapid and significant growth in electronic sectors and commerce it's obvious that electronic (online internet) banking and payments are likely to advance or rapidly increased. The major idea is to provide services to the customer through the internet and make the customer feel flexible in calling out simple tasks faster instead of making visits to bank frequently. The principal type of banking services include automated teller machines (ATM's), shared ATM networks, electronic funds transfer at point of sale, smart cards, stored value cards phone banking and internet banking. Thus, practice of banking has undergone a significant transformation due to adoption of E-banking. The study focuses on highlighting the role of digital banking or E-banking and it's role in banking system. This paper elaborates the role of net banking in banking system and how it proves to be useful for the customers as well as the banks and also explains the problems faced by the users and it's impact on our economy. The study concludes by explaining the major role of digital banking in the banking system. The study reveals an observation that access to digital banking and it's role in banking system is the only enabling factor to economic development.

Keywords

Revolution, Significant transformation, Economical impact, Communication networks

Introduction

"ONLY DIGITAL INDIA WILL BE PROGRESSIVE INDIA"

When the business and commerce tend to be on the electronic modes, banking can never remain isolated. When E-commerce refers to carrying on business transactions electronically, it covers any form of business including banking. Hence, E-banking implies performing basic banking business transactions by customers round the clock globally through electronic media. Modern banking is more information based, speedy and boundary-less due to the impact of E-revolution. E-banking is more of a science than an art. E-banking is a knowledge based and mostly scientific in using electronic devices of computer revolution. When most business and commercial enterprises tend to become internet working organizations, banking has to be E-banking in the new century. If a bank offers online services and customers submit requests, make transactions, and handle banking activities, then it is called digital banking. The financial and the banking sector are important for economic development and therefore, many financial institutions and banks are adopting these changes faster. This technology has changed traditional banking without disturbing the pre-existing systems. This has resulted in a change to convenience banking from conventional banking. Internet banking is a platform for electronic delivery of banking services to the customer. In internet banking, customers of a bank with a PC and browser, can have accounts to his bank's website, and thereafter perform various banking functions. Thus, he can avail of the bank's services from anywhere and at any time. Successful adoption of wireless technology would help banks to offer not only at time, anywhere banking but also 'any device banking'.

“ADVICE, YOU CAN BANK ON”

Keywords

Business transactions, Computer revolution, Internet working, Conventional banking ,Device banking

Why do we need Digital banking?

For half a millennia, retail banks have worked on the basis of physical distribution. For half a century, that model has been challenged to move towards electronic distribution. At the end of the first decade of the new millennium, we have finally reached the point where electronic distribution has matured, works and is proven. It's time for banks to turn their model on its head and focus on electronic platforms, where physical distribution is the cream on the cake, rather than the other way round.

However today, and certainly tomorrow, the population has moved to a world in which the majority are digital natives. As the digital generation grows up and matures, and as the world becomes populated solely by digital natives, what role will be there be for banks that have been built upon the basis of a physical distribution model with electronics layered on top? It's time to turn all of this on its head. It's time to think about banking as an electronic structure. It's time to become the Digital banking. Digital transformation in banking is significant due to the reduced cost of operations . Automated application and process have reduced redundant labor and human efforts. There is an enhanced sense of security with digital solutions to tackle cybercrime and breach of security. For customers, there are abundant banking features that digital banking technology has to offer. It makes banking more simplified and convenient for the customers. Improved customer services is one of the greatest gifts of digitalization of banks.

Digital banking is one of the greatest revolutions in the modern world. Though it is a recent trend, imagining life without digital banking system is impossible for today's generation. It's only a beginning; experts suggest that there is still a long way to go. It is the stepping stone of creating a cashless society that relies on paperless and signature less banking.

Traditional Banking Vs Digital Banking

In traditional banking, the customer has to visit the branch of the bank in person to perform the basic banking operations viz., account enquiry, funds transfer, cash withdrawals etc. The brick and mortar structure of a bank is the essential banking function.

On the other hand, E-banking enables the customers to perform the basic banking transactions by sitting at their offices or at home through PC or LAPTOP. The customers can access the bank websites for viewing their account details and perform the transactions on account as per the requirements. With E-banking, the brick and mortar structure of the traditional banking gets converted into a click and portal model, thereby giving a concept of virtual banking a real shape. Thus, today's banking is no longer confined to branches. Customers are being provided with additional delivery channels which are more convenient to customers and are cost effective to the banks. These delivery channels include ATM, Tele Banking, Internet banking, Mobile banking, Home banking etc. Thus, E-banking facilitates banking transactions by customers round the clock globally.

Conventional banking is an art. But E-banking is more of a science than art. E-banking is a knowledge-based and mostly scientific in using the electronic devices of the computer revolution. When most corporate tend to become internet working organizations, banking has to be E-banking in the new century.

Digital banking in India

- **Bill Payment :** Every bank has a tie-up with different utility companies, service providers, insurance companies, etc. across the country. The banks use these tie-ups to offer online payment of bills (electricity, telephone, mobile phone, etc.). Also, most banks charge a nominal one-time registration fee for this service. Further, the customer can create a standing instruction to pay recurring bills automatically every month.

- **Funds transfer** : A customer can transfer funds from his account to another with the same bank or even a different bank, anywhere in India. He needs to log in to his account, specify the payee's name, account number, his bank, and branch along with the transfer amount. The transfer is effected within a day or so.
- **Investing** : Through electronic banking, a customer can open a fixed deposit with the bank online through funds transfer. Further, if a customer has a demat account and a linked bank account and trading account, he can buy or sell shares online too. Additionally, some banks allow customers to purchase and redeem mutual fund units from their online platforms as well.
- **Shopping** : With an e-banking service, a customer can purchase goods or services online and also pay for them using his account. Shopping at his fingertips.

Advantages of Digital Banking

Digital banking has following advantages

- **Round the clock banking:** E-banking facilitates performing of basic banking transactions by customers round the clock globally. World-wide 24hours and 7days a week banking services are made possible. In fact, there are no restricted office hours for E-banking.
- **Convenient banking:** E-banking increases the customer convenience. No personal visit to the branch is required. Customers can perform basic banking transactions by simply sitting at their offices or at home.
- **Profitable banking:** The increased speed of response to customer requirements under E-banking vis-à-vis branch banking can enhance customer satisfaction and consequently can lead to higher profits via handling a larger number of customer accounts. Banks can also offer many cash management products for the existing customers without any additional cost.
- **Low cost banking (Service):** The operational costs have come down due to technology adoption. The cost of transactions through internet banking is much less than any other traditional mode.
- **Quality banking:** E-banking opens new vistas for providing efficient, economic and quality service to the customers. E-banking allows the possibility of improved quality and an enlarged range of services being made available to customers.
- **Speed banking:** The increased speed of response to customer requirements under E-banking will lead to greater customer satisfaction and handling a larger number of transactions at a lesser time. Thus, it increases the customer convenience to a greater extent and facilitates better customer retention.
- **Service banking:** E-banking creates strong basic infrastructure for the banks to embark upon many cash management products and to venture in the new fields like E-commerce, EDI etc. Instant credit, one day credit, immediate payment of utility bills, instant transfer of funds etc. would be made possible under E-banking. In brief, it adds to convenience to the entire banking service apart from widening the range of services

Constraints in digital banking

With the obvious benefits emerging out of E-banking mentioned above, the following factors contribute as major impediments in the smooth implementation of E-banking:

1. **Startup cost:** Many banks have expressed their concern about the huge initial start up cost for venturing into E-banking. For a successful E-banking, bankers need to develop a coherent perspective of the role of network technologies and advancement of their EFT-departments with a competitive introspection of their banking business.
2. **Training and maintenance:** The introduction of E-banking involves 24 hours supports environment, quality service to end users and other partners which would necessitate a well qualified and robust group of skilled people to meet external and internal commitments. Moreover, the bank has to outsource certain functions and services to maintain the level of standards and state of readiness. The training and retaining of skilled manpower is a major cause of concern.

3. Lack of skilled personnel: It is a well known fact that there is an acute scarcity of web developers, content providers and knowledgeable professionals to route banking transactions through internet. In a fast changing technological scenario, the obsolescence of technology is fast and hence there is always shortage of skilled personnel.

4. Security: In paperless banking transaction, many problems of security are involved. A security threat is defined as a circumstansive decision or event with potential to cause economic hardship to data or network resources in the form of destruction, disclosure, modification of data, denial of services, fraud and abuse. There are chances that documents such as cheques, pass book etc. can be modified without leaving any visible trace. In spite of implementation of several security measures, the possibility of a security breach cannot be ruled out.

5. Legal issues: Legal framework for recognizing the validity of banking transactions conducted through the 'Net' is till being put in place. Though initial legal framework as been devised for E-banking activities, it is uncertain as to what possible legal issues may pop up in future as banking on internet progresses. What may happen if a customer's sensitive data falls into the hands of a stranger or if his account shows a 'Nil' balance all in a sudden without his knowledge? To prevent computer crimes, the country's banking legislation needs to make suitable provisions with a thorough consultation and discussion among the legal as well as technical experts.

6. Restricted clientele and technical problems: The user of E-banking needs a computer and time to log on to the site. It means that the target clientele is restricted to those who have a home PC or can access the 'Net' through the office or cybercafés. Navigating around websites on home computers is often slow and frustrating. Moreover, local calls are not free generally and so the customer has to pay everytime he checks his balance.

Conclusion

E-banking is becoming immensely popular globally and India is no exception to it. The declining Internet rates, falling PC prices, broad bandwith access through cable and digital subscriber lines, accessing the NET through cable TV etc. would definitely encourage the boom in E-banking in India. With the globalization of business and services, our country cannot lag behind in niche areas of electronic banking. In the new global era of multicurrency, multi-legal and multiple regulatory systems, with the freedom of E-commerce, banks have to operate like multinational corporations to grow and survive by adopting E-banking.

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