

Impact of Digital Banking in India: Recent Trends & Challenges

Mr. Sanjaya Pawar

Assistant Professor
S.S.R.G Women's College Raichur,
Karnataka (India) - 584103
Email: sanjayapawar5555@gmail.com
Mob: 8722435555

Abstract

Different sectors play a very important role in the economic growth of any country. Banking sector is the most important aspect in the economic growth of India. The banking sector has become the backbone of the Indian economy. Any change related to technology or other aspects directly affects economic growth. With the change in technology, various changes are taking place in the banking sector. Now more and more customers are educated. They don't want to stand in line for various activities like: cash withdrawals, deposits cheques, opening bank accounts, deposit cash and more. As times have changed, digital banking has been introduced and it is the star of the banking industry. Nowadays, this concept of digital banking is very easily accepted and it is becoming the most popular way of doing business in the market within a short period of time. In this article, we will analyze the concept of digital banking. How it affects a person's life. The study is based on secondary data. The concept of digital banking offers many opportunities in the banking sector. But with every benefit comes risks. And this digital banking also comes with risks.

Keywords: Financial Inclusion, Digital Finance, Digital Payments, Financial Services, Innovative Financial Technology.

INTRODUCTION

Today, banks are a part of people's lives. Now the Government of India tries to create a cashless economy. Digital banking plays an important role in this era. Today, we found ourselves in a wonderland where a milkman takes cash payments without hassle, a man buys geometry kit worth Rs 100 with a credit card, and a greengrocer uses a QR code-based scan-and-pay system. New innovative digital technologies and great ideas have given birth to completely new business and social dimensions. Digital banking offers bankers solutions to meet their short and long-term business and technology needs.

Digital banking is a new paradigm in India that offers many benefits to the banking sector. This helps to increase the productivity and profitability of the banking sector. It is a technological innovation in a growing age. It is introduced mainly to improve the 4C namely Cost, Convenience, control and Customer Satisfaction. The Digital Banking Framework/Structure is the result of the collaboration of a group of IDRBT research team, bankers, IT professionals and consulting experts. The term digital refers to the storage of information in the form of digital signals. It can make banking easier. An ATM (Automated Teller Machine) is an electronic communication device. It is the best example of a digital banking system. Digital banking makes transactions very simple and easy. For example, SMS bank. Now every customer is free and does as he wants. Digital banking is part of a wider context of change an online bank, where banking services are provided via the Internet.

LITERATURE REVIEW

1. **Arunangshu** in his article focuses on the digitization of the banking system in rural India. Digital banking has a huge potential to change the landscape of financial inclusion. They found that the low-cost features and ease of use of digital banking could accelerate the integration of the unbanked economy into care.
2. **Aarti Sharma** in her research stated that digital banking is a milestone for the Indian economy. The study is analytical in nature and based on secondary data. According to researcher, the impact of digital banking on the Indian economy. Due to the change in the technology of the banking system, the economy is also facing changes. It can provide better services to its customers. Due to its rapid growth, it is acceptable in the market.

Now analyzing the benefits of digital banking, all the people in the market require it for overall growth and success.

3. **Vishal** conducted a study and found that customers always want security in cash transactions. This paper focuses more on the perception and opinion of users of urban mobile banking users. He focuses on practices, challenges and security issues related to mobile banking in India. It uses the quota sampling method. Data is collected from a primary data source. The sample size is 100 respondents who are divided into two categories: 50 mobile banking users and 50 non-users. The sample was taken from Ghaziabad city. It was analyzed that mobile phone user experience was most important in mobile banking because there were different phone models available in the market that supported different types of technology.
4. **Ankit and Singh** conducted a study to analyze the impact of Technology Acceptance Model (TAM) on internet banking adoption in India in terms of security and privacy threats. Taking the TAM proposed by Davis as a theoretical basis, the paper it was found that perceived risk had a negative effect on behavioral intentions to adopt online banking and trust had a negative effect on perceived risk. A well-designed website has also been found to facilitate ease of use as well as minimize the risks associated with online banking.
5. **Utpala** conducted a survey to assess the current state of e-banking in the market. From the primary data source, he analyzed the respondents' ratings of the online bank. This includes both Indian respondents and non-Indian respondents. They analyze the obstacles that customers face when using online banking. They found that 60% of city dwellers use digital banking. So it should be important for banks to focus on the rural population by creating information programs and training. This should help promote digital banking in India. 12. Hoehle notes that the use of digital banking channels has grown significantly. It focuses on customer-related issues. They analyzed that if the banks can use this digital banking system, it can improve the financial performance of the banks. Customers are looking for value and more demanding mobile banking services.
6. **Dr. Rachna Kalsan** paper entitled Impact of Digital Banking in India: Trends & Challenges. The researcher analysed role of Digital Banking among Adults life. The Pros, Cons and challenges of Digital Banking is analysed. The secondary source used to collect

the data and analysed the study. Researcher concluded that most of the peoples are preferring the digital payment sytem in India.

Objectives of the study:

1. To highlight the recent trends in digital banking services in India.
2. To identify the hurdles and challenges of digital banking in India.
3. To analyse the digital payments in India

Research Methodology

The present study has focus on the impact of digital banking in India. The study is based on the secondary data. The data has been collected from various sources like annual report of RBI, information bulletin and journals of RBI. Tables are used to represent the consolidated data.

EVALUATION OF DIGITAL BANKING INDIA

Definition:

1. "Digital banking - a new concept in the era of electronic banking, which aims to enrich standard online and mobile banking services by integrating digital technologies such as strategic analysis tools, social media communication, innovative payment solutions, mobile technologies and a focus on the experience of user".
2. "Digital banking is the application of technology that ensures the complete smoothness of banking transactions/operations ("STP in the old" language); customer initiated, which ensures the greatest possible benefit to the customer in terms of availability, utility and costs ; for the bank in the form of reduced operating costs, zero errors and better services."

The traditional banking system in India was the branch banking. The (MICR) Magnetic Ink Character Recognition based cheques processing was introduced in 1986-1988. The late 80s marked the computerization of banks with the introduction of LPMs (Ledger Posting Machines).

New economic policies drove the introduction of digital banking in India in the 90s. The year 1991-92 turns out to be successful thanks to rapid market growth. The biggest turning point was private and foreign bank entered the Indian banking sector because of this new economic policy. This created tough competition and digitization trend is born. Now every bank wants to use digital banking services to provide better services to their customers.

Banks are now challenged by facilitate requirements that connect vendors with money through customer-specified channels. It is a dynamic format that is the basis of customer satisfaction. This can be maintained with customer relationship management (CRM) software. This is an important aspect of digital banking. It can communicate directly with customers. And this can be the basis for connecting both customers and bank management.

Recent Trends in Digital Banking Services in India

Digitization:

With the rapid development of digital technology, it has become to maintain banking and financial services in India monitor changes and develop new digital solutions technology clients. In addition, banking insurance, healthcare, retail, trade and commerce of major industries experiencing a huge digital transformation. Maintaining competitiveness is essential for banking the industry is jumping on the digital bandwagon. Modern trends in digital banking make it simpler, easier, paperless and branchless with many features like IMPS (Instant Payment Service), RTGS (Real Time Gross Settlement), NEFT (National Electronic Fund Transfer), internet banking and mobile banking. Digitization has created the convenience of "banking anywhere, anytime". This resulted in reduced costs and improved revenues generate and reduce human errors.

Mobile banking

Mobile banking is one of the most dominant trends in the digital world banking sector. Using your smartphone for a versatile workout banking services such as checking account balances and funds transfer and pay bills without a visit a branch. This trend has attacked traditional banking systems Changes in mobile banking are expected in a few years even more effective and easier to keep with the customer requirements Future trends in mobile banking point to acquisition IoT (Internet of Things) and voice-based payment Services will

become tomorrow's reality. These voice-controlled services are available on smart TVs, smart cars and smartphones homes and all the wise.

Unified Payments Interface (UPI)

Unified Payments Interface or UPI is one of the fastest and the most secure payment gateway that has changed completely how payments are made. Using a mobile phone it offers real-time interbank transactions anytime and wherever. The UPI payment system is considered to be the future retail banking in India. UPI is developed by National Payments Corporation of India and is regulated by the Reserve Bank of India. This revolutionary event system is introduced in 2016. This system allows money to be transferred 24x7, 365 days unlike other online banking systems. there are about 40 applications and 50 banks supports UPI transaction system. In post-demonetisation India, this system played an important role. Banking operations are expected to become "more open" with the aid UPI in near future.

Blockchain

Blockchain is the new buzzword in the digital world. They say it is to be the future technology of banking and financial services which works on the principles of computer science, data structures and cryptography and is its main component crypto currency. Without the ability to change it, Blockchain uses technology to create blocks that can be processed, verified and stored transactions. Niti Aayog is building India's largest blockchain network called India Chain, which is expected to change across multiple industries to minimize opportunities for fraud, improve transparency, speeding up the transaction process, less human manage and create an unbreakable database. Multiple aspects of banking and finance such as payments, clearing and settlement systems, exchanges and to the stock market, business financing and lending are foreseen affected by the introduction of the India Chain network.

Chatbots

Chatbots are one of the emerging trends in Indian banking in the field More help in customer support services Private and nationalized banks in India have started to adopt chatbots or artificial intelligence bots. Still in use this technology is in its infancy and its use

is should grow in the near future. Banks and finance institutions should adopt more chatbots higher intelligence to improve customer interactions and individual solutions. Technology is reducing opportunities for human error and delivers accurate solutions Customers. You can also detect fraud, compare inquiries and suggestions and assist in financial decision making.

Fintech companies

Fintech companies are leading the way technology to the world of banking and industry. Fintech Companies have become an important part of financing service sector in India. Huge in recent decades Investments were made in these companies and were made has evolved into a multi-billion dollar industry worldwide. Fintech companies and fintech applications have changed the way finance is done services are offered to customers. Some important ones the affected names are Paytm, PhonePe, policy bazar, MobiKwik, Shubh Loans, Lending Kart, PayU, Kissht and Faircen. Fintech companies have brought a huge improve financial services, customer experience and reduced the price paid. According to a report from the National Association of Software and Service Companies (NASSCOM), things are still working with the Indian market could be \$2.4 billion by 2020.

Cloud banking

Cloud banking has taken the banking world by storm to show technology will soon find its place in banking and financial services sector in India. Cloud computing will organize and improve banking and financial operations. cloud-based technology means better information security, better flexibility and scalability, greater efficiency, faster services, solution, easier to integrate with newer technologies and applications. Besides, banks don't one has to invest in expensive software and hardware Updating information is easier in cloud banking models

Wearable technology

Developing smart watch technology, banking financial services technology is also trying to evolve mobile devices for retail banking customers and where they are offered more control and easier access to your account. Wearable has completely changed the way we function in our daily lives activity Therefore, it is assumed that this technology is in the future in retail banking, offering greater banking services by clicking on the service's user-friendly

interface portable device.

Biometric

Mainly for data security reasons, biometric authentication the system changes the politics and influence of national identity expected to be extensive. Banking and financial services is just one of many other industries feel the impact. With a combination of encryption technology and OTPs, biometric authentication is envisaged create a highly secure database that protects it from leaks and pirate companies. For enhanced security customer account and capital financial institutions in India explore the possibilities of this powerful technology.

Challenges and Obstacles of Digital Banking System in India

Lack of digital literacy

Digital for the older and uneducated change is a problematic thing. Literacy in India people is only moderate, only few are digital literacy. They are afraid to act digitally trading due to lack of knowledge and fear of doing so mistakes, because a small mistake leads to a huge financial loss. There is no digital without proper knowledge transition from cash to a cashless economy.

Cash dependent economy

More than half of India's population lives below the poverty line, without a bank account and unorganized. Most Indians depend on cash payments because they know more convenience and security of cash handling. Countryside Indians are not very familiar with digital banking due to lack of modern technology and illiteracy.

Data protection risk

Risk of disclosing personal data and fear of identity theft is one of the most important deterrents for consumers when you choose digital banking services. The majority consumers believe that using online banking services will do this they are vulnerable to identity theft. According to the study consumers care about their privacy and believe that the bank can

violates their privacy by using their data for marketing and other secondary purposes without

Security risk consent:

The security problem has become one a big concern for banks. A large number of customers refuse choose digital banking services due to uncertainty and security issues. Most internet users do not consume digital content banking in India for security reasons. So that's a big one challenge marketer and satisfies consumers of its security problems, which may worsen for use in digital banking.

Intense competition

Nationalized banks and commercial banks are competition with foreign and new private sector banks. Competition in the banking sector brings with it various challenges before banks, such as product positioning, innovative ideas and channels, new market trends, cross-selling notice at the administrative and organizational part of this system must be manage, steal and manage risk. Banks limit their activities administrative foil, turning work into a machine capacity i.e. banks reduce manual skills and receive the maximum work done by the power of the machine. Clever and one must use a specialized workforce and be results oriented the target staff is determined.

Low Internet Penetration

Digital bank transfer and online service available has evolved over the years. For cashless development affordable broadband and internet connection and its bandwidth should be improved and provided at an affordable price publishing Most cities have gotten rich by offering free Wi-Fi services even in railway and subway stations, shopping centers and cinemas. But still information and availability Internet access in rural India remains one of the biggest challenges before digital banking. So penetration Internet and online information are big obstacles which can be overcome by the joint effort of various people stakeholders.

Technology Management

Developing or acquiring the right technology, implementing it optimally and then use it to

the maximum degree achieve and maintain high levels of service and efficiency standards being cost-effective and functional sustainable return for shareholders. Early adopters technology is gaining significant competition Therefore, technology management is a key challenge Indian Banking Sector.

Difficult for first timers

A single user browses a website using online banking can be difficult and time consuming. Account creation may also take some time if some sites require a range of personal information, including photo ID which may annoy the potential customer. Because of its complexity, they may not be able to use it on the Internet banking service Tutorials and live customer support can be but to help the client with the tasks he needs so it is best to spend time exploring the virtual environment.

Cybercrime

Cyber security is a major concern in the digital industry banking Most banking and financial applications are subordinated for cyber fraud or attacks. There's probably a reason money is an undeniable goal. Hackers have who are known to be innovative in their theft attempts whether big or small thousands of accounts over a long period of time. If there is no money directly, there is always a risk that the customer's information is endangered According to IAMAI reports, the majority Internet users are not using internet banking in India because for security reasons.

Regulation and legality

Digital banking services enable banks and their customers can do business anywhere in the world. This significantly increases the potential customer base of banks. A banking license makes it very difficult in terms of regulation control financial laws. In addition, the rules varies from country to country and banks not always competent in all financial laws of the countries in which they are located is a business The lack of skills opens the banks and their customers to violations and litigation.

Durability

An organization can achieve sustainability as the leader is only possible through synergy. Only if users recognize the value of a product or service the value of the organization jumps to success and stays there. Social media is the powerhouse of digital banking is often overlooked. Although consistently good reviews are uplifting for the better position of the organization, consistently bad reviews can even destroy an entire empire.

Total number of digital payments across India from financial year 2017-18 to 2021-22

Now the time has changed. As technology changes, people's lives also change. He used to go to banks and does his own work. But now everyone is educated and adopting new techniques for their growth. Now nobody wants to go to the bank because of the problem of time everyone is busy with their work. I'm sure none of them want to stand in line to deposit or withdraw money. Everyone wants comfort and peace in their life. This banking system has been implemented in the past. Smart banking starts now and this smart banking has come into our lives and It is part of our life. Now all transactions are done through mobile banking. Now paying bills with mobile banking is very easy.

Year	No. of Transactions in billions
2017-18	14.59
2018-19	23.26
2019-20	34.00
2020-21	43.74
2021-22	71.95

Source: www.statista.com

From the above table we can say the number of transactions carried out through credit cards and debit cards are increasing from the year 2017-18 to 2021-22. Indians prefer a digital-first approach to banking, and will not hesitate to protest poor service, finds a survey by Avaya. 51% of Indians use online banking channels. 26% of Indian customers prefer to access services via their bank's website, and the same number would prefer to use a mobile app rather than talk to a human agent.

Conclusion

Digital banking occupies a large market share. Today, with the development of technology, there has been a change in the banking sector. Now every customer accepts digital banking for their convenience. But with this success comes some shortcomings. So there are some technical issues that affect the customer perception. According to the survey, there are 562 million active digital banking users in India. Digital banking makes conventional banks an even better and more efficient place to operate. The digital banking service makes all transactions easier for customers. They can easily pay their bills, find convenient locations, transfer money from one place to another and easily check their bank details. Growth of digital banking in India can help in various things like growth of capital market, growth of insurance sector, growth of venture capital market.

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