

DIGITAL BANKING IN INDIA: RECENT TRENDS, ADVANTAGES AND DISADVANTAGES

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ABSTRACT

Today's world is a world of technology and digitization. Technology is affecting every field and sector. Banking sector is also influenced by these technological changes. Many banks are providing facility of digital banking now days. Digital banking is also called internet banking or online banking. When a bank provides its services online and customer can make transactions, submit requests, and handle other banking activities online, it is called Digital banking.

KEYWORDS: *Technology and digitization, Digital Banking, Online Banking, Internet Banking.*

Introduction

Digital Banking is a system which enables banking transactions like transfer of funds, payment of loans and EMI's, deposit and withdrawal of cash virtually with the help of internet. It is one among the extended features which banks provide in addition to the traditional banking. It is the most used feature by the Indian citizens after the effect of demonetization. There are different types or sectors under digital banking services. The major services, offered by banks are internet banking, mobile banking, ATM's, NEFT, PPIs, SMS Banking, e-cheques, debit and credit cards etc. The first bank in India to offer digital banking was ICICI Bank in 1996. Since then a number of other banks have followed this and today most of the banks provide digital banking services.

Objectives

- To know about the recent trends of digital banking.
- To study the advantages and disadvantages of digital banking.

Research Methodology

The paper is based on exploratory research. Secondary sources of data collection have been adopted for the present study. The relevant and required data are collected from the national and international journals, books, newspapers etc.

Recent Digital Banking Trends

Consumers now have so many options when it comes to digital banking. Even the most established financial institutions will need to work to stay relevant if they want to stay ahead. The recent banking innovation trends and services described as follows –

- **Automated Teller Machines (ATM's)** – ATM is an electronic telecommunication device that enables the customers of a bank / financial institution to perform financial transactions, particularly cash withdrawal without the need for a cashier or clerk. The other functions performed by an ATM are balance enquiry, generating PIN, passbook printing, cheque deposit etc.

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- **Mobile Banking** – Mobile banking is a banking services using which a customer is able to do banking transactions and gather related information using a mobile phone or tablet anytime and anywhere without seeking assistance from the bank's CRM. All the customer need to do is to download and install the bank's mobile applications from their smart phone or tablet's application store. Mobile banking to customer is like carrying a virtual bank on their mobile devices. Using it we can download mini statement, get alert on account activity, monitor term deposits, access loan statements, manage insurance policy, transfer funds between customer's linked accounts and third party including bill payments etc.
- **Credit / Debit Cards** – This facility promotes cashless purchasing. It enables the customers to purchase goods without holding physical cash. A credit card allows the customer to borrow money within pre determined limits and Credit Card Company charged certain amount of interest for the money being used for purchasing by the customer. However the debit card linked directly to the customer's bank account and when a customer make purchases through it, the money debited automatically from customer's bank account.
- **National Electronic Funds Transfer (NEFT)** – It is a nationwide payment system facilitating one to one transfer. Under this scheme, a person can electronically transfer funds from any bank branch to any individual having an account with any other bank branch in the country participating in the scheme. Individuals, firms, and corporate maintaining account with a bank branch can transfer funds using NEFT. Even, the individuals who don't have a bank account can also deposit cash at the NEFT enabled branches with instructions.
- **Prepaid Payment Instruments (PPIs)** – Mobile Wallets and PPI Cards – PPI's are payment instruments that facilitate purchase of goods and services, including financial services, remittance facilities etc. against the value stored on such instruments. There are three categories of PPI's closed, semi closed and open system. Closed systems are PPI issued by an entity for facilitating the purchase of goods and services from that entity only. Semi closed are PPIs which can be used for purchase of goods and services including financial services at a group of clearly indentified merchant locations/establishments which have a specific contract with the issuer to accept the payment instruments and open system are PPIs which can be used for purchase goods and services, including financial services like funds transfer at any card accepting merchant location (point of sale terminals) and also permit cast withdrawal at ATMs/business correspondents. While banks and non banks can issue closed and semi closed PPIs only banks are allowed to issue open system PPIs. Some of the largest non bank issuers of PPIs / wallets include paytm, mobikwik and itzcash. The PPIs have been registering impressive growth in recent past.
- **Unified Payment Interface (UPI)**: This is the most convenient form of financial transaction interface. It is launched on 23rd August, 2016. It allows for instant money transfer through the mobile device anytime anywhere. It facilitates accessing different bank accounts through a single mobile app merging several banking features and single click two factor authentication. Every bank has its own UPI for different operating systems like android, IOS, Windows etc.
- **Social Media Banking**: Social Media is new trend in banking. The banking industry is aware of the power of social media. It gives the customers a voice and enables the banks connect and reach out for more customers than traditional channels, but currently banking activities on social media are limited to marketing products, engaging customers and providing support. 'Few banks like ICICI bank and Kotak Mahindra bank allow their customers to transact online and open new account using facebook. Presently social media banking is not so popular but it will play an important role in shaping the future of banks.

Advantages of Digital Banking

There are a number of advantages of digital banking. Some significant benefits of digital banking are listed below:

- **Convenience**: Digital banking is available to anyone and everyone who is a bank account holder. It allows customers to easily access the bank website using their username and password and carry on with the transactions even if the bank is closed. For digital banking only one device and internet connectivity are needed, so it is very convenient to use.

- **Flexibility:** Digital banking is flexible to use. Digital banking provides many 24 x 7 facilities like ATM, mobile banking, debit cards, credit cards, payment of bills facility, e-wallet etc.
- **Time Saving:** This is the greatest advantage for all of us as we are not able to spend a lot of time in queues. Time management is one of the greatest challenges in our very busy lives. Digital banking enables us to carry on our banking services within minutes.
- **Banking Benefits:** With the increased convenience of anytime, anywhere banking, the number of customers has increased for banks. Human errors of calculations are reduced. It has also made record keeping more easy. In digital banking record of every transaction being maintained electronically. It is possible to generate reports and analyze data at any point and for any purpose.
- **Lower Overheads:** Digital banking has drastically reduced the operating costs of banks. This has made it possible for banks to charge lower fee for services and also offer higher interest rates for deposits. Lower operating cost will result into more profits.
- **Online Bills Payments:** Digital banking allows online payment of bills. It is a feature that saves a lot of time, effort and expense of customers. Customers don't need to have physical cash and queue up to pay their utility bills or other kind of bills.
- **Environment Friendly:** Through Digital banking banks are now giving customers the option to receive their account statements online. This saves a vast amount of paper and postage waste, not to mention the delivery.
- **Offers Availability:** Through Digital banking we can stay aware about bank's products like loans, investment options etc. We can avail a lot of offers on shopping and purchases and a range of other services that can help us get more for less.

Challenges or Disadvantages of Digital Banking

There are a number of benefits of digital banking, but it also has some challenges and disadvantages. Technology challenges, IT practices, certain cultural issues, security issues, industry lethargy and workplace constraints have affected widespread acceptance of digital banking. Some of disadvantages and challenges are listed as given below:

- **Security:** Many people shy away from digital banking due to security reason. People worry about this aspect as they read this kind of news about cyber crime in newspapers daily.
- **Difficult for First Time Users:** Navigating through a website of bank may be hard for first time users. Opening an account could also take time as some sites ask for numerous personal details including a photo identification, which can inconvenience the potential customer. Because of this inconvenience and complexity, they may feel discouraged to use digital banking services.
- **Customer's Preference for Traditional Branches:** There are a number of highly active traditional bank branches in India. Most customers prefer the personal touch and customized service offered by staff in bank branches. Many Indians are also averse to calling call centres and bank's customer contact lines to address issues related to online bank account.
- **Low Broadband Internet Penetration:** India has one of the lowest broadband connectivity penetration rates in Asia as compared to Japan, Taiwan, Korea and Singapore. While the bigger cities like – Mumbai, Delhi, Bangalore have relatively better broadband penetration rates but users in smaller cities and towns still use dial up connection. Slow connectivity speed demotivates users to use digital banking.
- **Impersonal:** Digital Banking transaction through internet can be very impersonal. Most of people generally like personalized services. For those kinds of people digital banking is not ideal.
- **Regulation and Legalities:** Digital banking makes it possible for the banks and their customers to do their business from anywhere in the world. But it is extremely difficult for regulatory authorities to enforce finance laws. Additionally every nation has different regulations. So it is difficult to enforce same laws and regulation in every country.

- **Fear of Online Threats:** Conservative Indian bank customers used to deposit their hard earned money of years in bank accounts for the purpose of saving. They feel worried about online scams. Mostly banks make sure that their websites are secure, but no bank website is immune from cyber crime and hacking. This is biggest threat of digital banking.
- **A Limited Scope of Services:** Although we can do many things with an online bank account, such as make deposits, check balances and pay bills etc. but there are limitations to the kinds of services we can access. For opening a new account or applying for a loan or mortgage in most of cases we will need to visit a branch to sign forms and show identity documents.
- **Unnecessary Mails and Notifications:** Using digital banking services, we might become annoyed by constant unnecessary emails and updates. Customers might get overly marketed too and become annoyed by those kinds of notifications.

Conclusion

Today digital banking has taken a new shape in the world of technology. The banking industry is re-shaping itself and moving to a technological approach from traditional approach.

Digital innovations are creating a new picture of banking services. Due to the adoption of digitization, the banking sector in India is facing some remarkable changes as well as hurdles. As we are living in the digital era, It is not possible to avoid the growth and services of digital banking. Everyone uses modern mobile devices called smartphones, which can be easily used to access many digital banking services.

Most of services provided by digital banking are available to anyone, at anywhere and at anytime. As people want to have convenient banking services so they feel very comfortable to use this system. People feel more comfortable and convenient to use digital banking than traditional banking. Banking sector has also become more competitive with the advent of digitization and the digital India program for ensuring better customer service, thereby attaining the goal of cashless economy. The digitization in banking has started shifting the paradigm of cash and paper based banking to cashless and paperless banking. On the other hand, the technology has cyber threats which should be properly covered by such a high security system. Low internet connectivity rate, lack of awareness are some other hurdles in the path of digital banking.

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