

## IMPACT OF DIGITALIZATION ON BANKING SECTOR IN HARYANA STATE (A CASE STUDY OF HDFC & AXIS BANK)

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### ABSTRACT

*Electronic Banking is defined as "It is form of banking in which funds are transferred through an exchange of electronic signals rather than through an exchange of cash, cheque or other type of paper document. Transfer of funds occurs in financial institution such as bank and credit union. "This service includes accessing the business transaction, financing transitions regarding banking activates or obtain information on financial products and services through a public or private network". However, Electronic banking has changed the scenario of the banking sectors in all over the world. Banking has come a long way from the time of ledger cards and other manual filing systems. Most of the banks today have electronic systems to handle their daily voluminous tasks of information retrieval, storage and processing. The computer is, of course, an established tool for achieving a competitive edge and optimal resource allocation. Competition and the constant changes in technology and lifestyles have changed the face of banking. Nowadays, banks are trying to improve the service quality for the customers through using digitalization. Customers, both corporate as well as retail, do no longer like to wait for cash deposit and cash withdrawal, standing for hours in banks queue. With the number of computers increasing and new technology development take place every year, the electronic delivery of banking services is becoming the ideal way for the banks to meet their clients' expectations. E-banking refers to the effective deployment of IT by the banks.*

**KEYWORDS:** *Information Technology, E-Banking Products, Transformational Effects, Internet Banking.*

### Introduction

In India e-banking is of fairly recent origin. The traditional model for banking has been through branch banking. Only in the early 1990s there has been start of non-branch banking services. The good old manual systems on which Indian Banking depended upon for centuries seem to have no place today. The credit of launching internet banking in India goes to ICICI Bank. Citibank and HDFC Bank followed with internet banking services in 1999. Several initiatives have been taken by the Government of India as well as the Reserve Bank to facilitate the development of banking in India. 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 is monitoring and reviewing the legal and other requirements of e-banking on a continuous basis to ensure that e-banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability.

Digital Banking means going paperless and doing the banking transaction electronically. It helps in improving the customer experience and delivering faster and more efficient services. Digital banking brings many new features like banking on the move that is any time anywhere banking, ultra-fast response times and omnipresent advisors. Various softwares like FINACLE are used to speed-up the business transactions, and function.

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### Literature Review

**Himani Sharma (2011)**, in his research study brings out two significant difficulties in the use of e-banking, viz., heightened stress and technical bottlenecks. It explores the difficulties faced by bankers in using e-banking. Like customers, bankers too face difficulties in fully understanding and imbibing the mechanism of e-banking in their system. They admit that no proper e-banking training is provided to them; consequently, they do not know how to operate the system. This brings in frustration affecting the work, which leads to heightened stress.

**Dr. Mohammad O. Al-Smadi**, the main research is to identifying the factors that affect the adoption of electronic banking services among the banking customers. This would deepen the knowledge of the factors which facilitate or limit the customers' attempt to transfer to the electronic banking services in Jordan. In order to fill this important gap, a research model was developed through integrating TAM with TBP and incorporating five cultural dimensions and perceived risk to provide a comprehensive investigation. The results revealed a positive and significant impact of perceived risk on the customers' attitudes to use electronic banking services.

**Md. Shoriful (2014)**. Author in this study evaluated the security challenges of mobile banking and payments systems. Author further says that a key challenge with gaining user adoption of mobile banking and payments is the customer's lack of confidence in security of the services. There are new security risks introduced with mobile banking and payments that must be identified and mitigated. While consumers continue to express concern over using their mobile phone to conduct banking and financial services transactions, it is fear born more of perception than reality.

**Md. Monirul Islam (2015)**. Author says that computer technology has become one of the important tool for organization to grow. Banking sector all across the globe are using multiple digital technology to provide the better services to the customers. In this paper challenges and prospects of Internet Banking in Bangladesh has been discussed. According to author bank all across the country uses modern technology for providing banking facility to customers with low cost and quick services

**Rabindranath et al., (2015)**. Author in this paper highlighted the importance of technology in our daily life. They consider internet is one of the necessities of social life. We cannot live without internet and life will be in isolation without the technology. They further mentioned that banking sector has undergone tremendous changes post liberalization and globalization. Banks started using information technology innovatively for development of electronic commerce

**Mahmoud et al., (2015)**. A group of faculty in their research work points that over the period of time different digital technology has been introduced to customers by banking sector. Today some of the digital technology in the place is online credit card management, online internet banking, mobile banking and so forth. They further pointed that digital security is necessary for the satisfaction, success, usages, efficiency and effectiveness of digital world. One of the obstacles mentioned in this paper is lack of security for the growth of internet banking.

### Importance

It is shown that to increase the efficiency of banking Sector through Digital banking, which also helps to promote the Digital India. Digitalization in Banking improves financial services development and use of Technology. It facilitate quick mode of payments throughout the country 24\*7, which leads to effective and efficient banking performance and increases customer satisfaction. E-banking becomes more the various users of the banks, and also Helpful to improve quality of banking activities with great efficiency and effectiveness.

Banks are not just a part of our lives, but have a significant role in our daily lives. For many, day will not end without at least a single financial transaction. Thus banks always try to adopt latest technologies to enhance customer experience. The E-banking is, therefore, more of a norm rather than an exception in many developed countries because it is the cheapest way of providing banking services. Under this system, online banking is possible where every bank customer is provided with a personal identification number (PIN) for making online transactions with the bank through internet connections.

Digital banking is helpful for both public and private sector bank. The internet has developed level playing field and thereby afforded open access to customers in the global market-place. Internet banking is a cost-effective delivery channel for the modernized financial institutions. In this system, consumers are embracing many benefits of e-banking. Customer can easily access their accounts detail anywhere any time without wasting time and money. There are No. of softwares are used for promoting banking functions.

It helps to access the a/c record anytime, anywhere, eg. "FINACLE" which is a core banking system which is used by banks to process various tasks and update their database based on the kind of operations performed, which facilitate the interest calculation, standing instruction, recurring payments etc. within a minutes without any delay. Various security related software i.e "Bitdefender safepay" (blocking access to your desktop and to your screen, protect password, built-in hotspot protection). It protects online banking through following mechanism: file guard, behavior blocker, surf protection-filters all DNS(Domain Name System) requests to block information from being sent to or loaded from malicious websites.

#### **Objectives**

- To Examine the overview of digital technology.
- To Evaluate the trends in the digital banking.
- To Evaluate the digital banking opportunities and challenges for public and private sector bank.
- To Expedite the security framework for digital banking.
- To Examine the digital banking impact on Payment Bank.

#### **Hypothesis**

In the research, an attempt will be made to test the following hypothesis:

- Digital banking facilitates quick response, saves time, improves the quality of customer service and provides up to date information.
- There is a significant difference in the satisfaction level of customers in public and private sector banks related to digital banking services.
- There is a risk factor involved in the digital banking transactions.
- There is a large scope of development for digital in banking for public and private sector bank.
- There is a significant difference in digital banking experience of public and private sector bank.

#### **Hypothesis to be Tested**

**H<sub>0</sub>:** Digital Banking is inconvenient and insecure way of doing the banking transactions electronically, does not help in improving the customer experience.

**H<sub>1</sub>:** Digital Banking is convenient and secure way of doing the banking transactions electronically, helps in improving the customer experience.

#### **Methodology**

There are two sources from which I have collected data, Primary source and Secondary source.

##### **Primary Data**

- The information, which is gathered from MTBL while I worked with them.
- Personal observation.
- Face to face conversation with the officers.
- Face to face conversation with the clients.
- Working at different desks of the bank.

##### **Secondary data**

The secondary data of this report are collected from MTBL Annual report, and some reports from which I got idea about the way of writing a report. Secondary Sources:

Secondary data are collected in the following ways:

- Data gathered within the organization itself
- Data gathered from Text
- Internet sources.
- General reports.
- Annual reports.

#### **Transformational effects of Information Technology on a bank**

Information technology developments have resulted in unprecedented changes. Large-scale transfer through the internet allows for permanent connectivity. Vast data make possible low- cost data mining potentially through cloud computing and based on open-source software. Fast algorithms are becoming smarter due to strong improvements in artificial intelligence.

- **Communication**

E-Banking cannot be properly launched without good relationship with customers. To create a relationship each part needs to communicate. In e- banking communications plays a vital role. We aim to show that through communication e-banking management can reach the customer loyalty/ retention. One way of communication e-mail which is successful and popular internet application. It is connected with security as well as because many bank have linked the e-mail with online transactions. Thus the e-mail data should be updated. In banking advanced e-mail systems with routed replies and intelligent routing should be integrated to improve the online customer service experience.

- **Automation**

It will increase capacity and free employees to focus on higher-value projects. To capture the opportunity, bank must take a strategic, rather than tactical approach. Automation in banking sectors facilitate simple jobs like data entries, cash withdrawal(ATMS), cash deposit, passbook updates and salary uploads automatically without additional requirement of human resource. Now a day's automation is pushing the boundaries of technology by implementing robotics to optimize almost every process from selling financial product to customers, loan processing; creating much more relationship between customers and machines.

- **Decision making**

IT developments have also led to automated decision-making in bank lending. Several transaction lending techniques, such as financial statement lending, small business credit scoring, asset-based lending, factoring, and fixed-asset lending, allow banks to gather, combine, and use large amount of quantitative information about their clients.

Artificial intelligence is still grasping with dealing with incentives, information problems, and irrational human behavior. Relationship banking that builds on long-term and informationally intense cooperation with bank customers continues to be important (e.g., informational problems are pervasive in SME lending, and consequently data are hard to quantify).

**Benefits**

The following services are available from Internet Banking:

- Account details
- Get Mini Statement on your mobile anytime/anywhere.
- Instant Fund Transfer
- Credit Card Bill Payment facility
- Utility Bill Payment facility
- Prepaid and postpaid bill payment facility to all mobile operators

**Challenges for Internet Banking**

- **Traditional Banking Habits**

Despite the benefits of online banking, 49 percent of American adults do not participate in it at all. This happens mainly because traditional banking is what many people are used to and it can take time for them to break habits. So, online banking marketers should focus on ways to convince traditional banking users to start using online banking services. These marketing efforts should specifically highlight the numerous benefits of online banking. They need to show people how online banking can solve traditional banking problems more efficiently (having to actually go to bank branches, higher fees, etc.)

- **Security**

Security is one of the most significant challenges for online banking marketers. This is because, in the past, if a robber was going to steal a person's bank savings, he or she would have to break into the bank vault, and make a daring escape with the money. This was an extremely difficult prospect and involved a lot of danger and risk. With online banking, cyber criminals simply need to ascertain certain personal information to break into a person's account and steal their money. It can be done anonymously, and involves significantly less physical danger than in the past.

- **Transaction Difficulty**

It can be significantly more difficult and time consuming to deposit or withdraw money from an online bank. Not only do online banks often have fewer ATM's than their traditional counterparts, but it also can simply take longer amounts of time for deposits to be processed and put into a bank account.

For example, it takes roughly 3-5 days for deposits to show up in accounts for PayPal, one of the largest online banks. This is an issue that online banking marketers will most likely struggle with, until online banks speed up their transaction times

- **Technical Issues**

Because online banks rely so heavily on their online platforms, this means that they can generate substantial losses if their systems crash or if there are bugs in their code. A single technical issue that causes a bank to be down for a day could cost the bank millions in losses. It can also wreak havoc for the bank customers who may not be able to make payments or conduct transactions during the time that the site is down. 54 percent of consumers now use a mobile banking app. So, it is key not just for banks to have their online platforms running smoothly, but also, their mobile apps.

- **Consumer expectations**

These days it's all about the customer experience, and many banks are feeling pressure because they are not delivering the level of service that consumers are demanding, especially in regards to technology.

- **Increasing competition from financial technology companies**

Financial technology (FinTech) companies are usually start-up companies based on using software to provide financial services. The increasing popularity of FinTech companies is disrupting the way traditional banking has been done. This creates a big challenge for traditional banks because they are not able to adjust quickly to the changes – not just in technology, but also in operations, culture, and other facets of the industry.

- **Regulatory Pressure**

Regulatory requirements continue to increase, and banks need to spend a large part of their discretionary budget on being compliant, and on building systems and processes to keep up with the escalating requirements.

### **Conclusion**

Online banking is one of the most significant developments for the banking industry in its long history. However, despite the many benefits that online banking provides to customers, there are also a number of major concerns and challenges for marketers in the online banking sector. Traditional banking habits, security, technical issues, transaction difficulties, and small marketing budgets are all major challenges that online banking marketers will have to reconcile if they are to succeed in this field. However, demand for this industry continues to be very strong. So it is likely that online banks will only grow more advanced and successful as they strive to resolve their marketing challenges.

Bank must satisfy its customers at any cost. It will bring them a good health of the organization. Internet Banking can be part of bank's success and finally a part of good financial health. It is very important for a bank to take care of its customers with satisfaction created as much as possible, because it is the satisfaction of loyal customers who in turn may bring new customers for the bank in future. Through this research, I have mentioned some factors which are helpful for retaining customers. But there might be other factor hiding behind this research. At this stage the variables are: 1) Reliability 2) Privacy & Security 3) Service Quality 4) Assurance.

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