

A STUDY ON THE DIGITAL BANKING UNIT: THE PAPERLESS BRANCH

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ABSTRACT

From barter systems to banking systems continuously upgrade themselves for the betterment of their efficiency and effectiveness. Banking and technology are relatively associated and have changed over the period. In this Field of evaluation, a new concept of DBU means Digital Banking Unit is introduced by Finance Minister Sitharaman. Digital Banking Unit A digital banking unit is an innovative, customer-centric approach to banking that utilizes cutting-edge technology to provide customers with a faster, more convenient experience. It encompasses a range of digital channels such as mobile banking apps, digital banking websites, and automated customer service. Although the advantage of the Digital Banking Unit is very large but still with various limitations of security, awareness, and scalability which the author wants to address. It's simply a micro branch which gives a facility of 24 hours without a bank person needed. Digital banking units are designed to streamline and enhance banking operations, allowing customers to manage their accounts, make payments, and transfer money with ease. They offer several features, including a secure, real-time view of customer accounts, and the ability to transfer funds from one account to another. Additionally, digital banking units are designed to be cost-effective, with lower costs associated with the implementation and maintenance of the technology. This paper gives insight into various advantages and challenges in the present scenario.

Keywords: Digital Banking Unit, Banking System, Traditional Bank, Kiosk Banking Facility, Digital Bank.

Introduction

India's oldest and largest financial intermediary system is the banking system. The banking system's functioning has undergone several significant shifts since the Industrial Policy of 1991 was adopted through Liberalization and Privatization. The term "Traditional Banking" has been replaced by "Digital Banking" in Indian banks. The goal was to speed up the execution of transactions, provide better customer service, keep better records, and report on MIS better. The Core Banking System (CBS), which offers to bank anywhere and at any time, marked the beginning of banks' IT journey.

For clearing, the bank used the Cheque Traction System. Online banking, mobile banking, debit cards, credit cards, prepaid cards, and other forms of payment are widely accepted by banking systems. The National Payment Corporation of India (NPCI) has taken significant steps toward innovation in the field of payment systems by introducing several products under an umbrella program, such as Bharat Interface for Money (BHIM) and United Payments Interface (UPI). As a result, the banking industry has seen significant progress as a result of the digital revolution. The bank's current goal is to provide customers with fast, error-free, and high-quality service.

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BANKING EVOLUTION ROADMAP

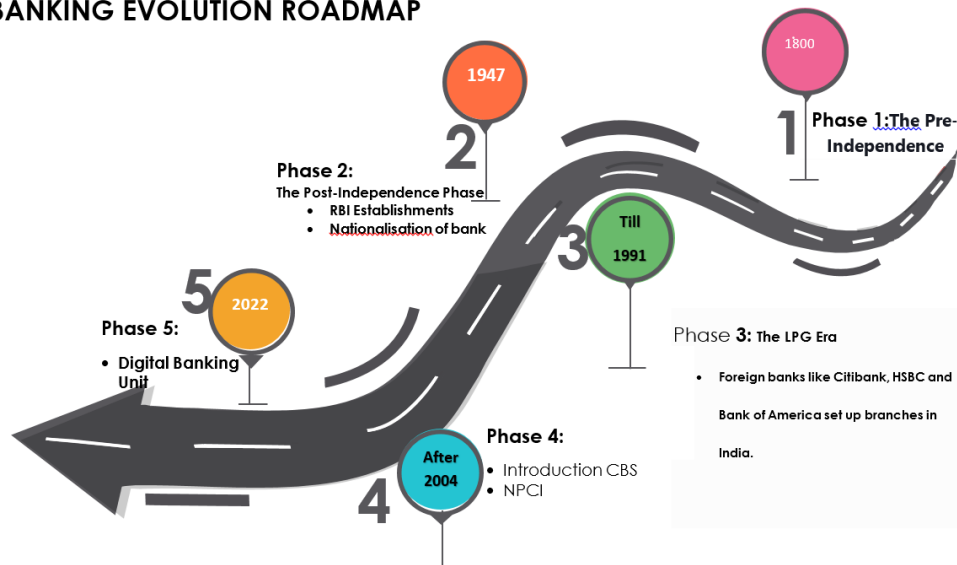


Figure 1: Roadmap of Evolution of Banking Service

The objective of DBUs is to extend the digital penetration of economic services by providing price-effective, convenient access with increased expertise victimization paperless secured and connected surroundings with most services being created accessible in self-service mode. DBUs can operate as freelance branches with formats and styles most acceptable for digital banking users. DBUs will have self-service an assisted zone Equipped with smart capabilities such as Interactive Multi-Functional Kiosks, Tablets, Automated Teller and Cash Recyclers machines, and Video KYC Apparatus, DBUs are future-ready banking outlets and could pave manner for virtual financial Literacy.

To begin with, 75 digital Banking Units in 75 districts are part of the pilot programme and could be expanded based on the experience. As of now, each of the 29 states and 8 union Territories has got at the least one DBU. Karnataka, Odisha, Rajasthan, Tamil Nadu and Uttar Pradesh have were given 4 every, the maximum quantity of DBUs in a country.

The Objective of the Study

This paper is completely based on secondary data. It just gives a simple overview of the Digital Banking Unit and its role in the Banking Sector. So following are the objectives of this paper:

- To provide an overview of the concepts of the Digital Banking Unit.
- To provide an overview of the Digital Banking Unit with the benefit and challenges in the Indian Banking Sector.
- This paper insight into various advantages and Challenges in the present.

Concept of Digital Banking Unit

DBUs, in physical terms, are separate virtual shops to be set up with the aid of the banks to provide virtual customer trips that target easing client ache factors thru digitization and automation. The DBU need to be a nicely-balanced combo of digital automation and human touch. Services should be to be had in both self-carrier and assisted modes. However, the scope is plenty broader than department banking. However, the scope is much broader than branch banking. It extends mobile, internet, and correspondent-based banking.

Do Why we need DBU?

We have been putting a lot of emphasis on the widespread use of digital banking services. As a result, they have gained a lot of popularity since the demonetization of high-value currency notes in November 2016 and the subsequent pandemic, when people have been afraid to touch even currency notes. As a result, more attention has been paid to digital banking. Instead of banks asking for digital banking, customers have started using digital banking services on their own, increasing the volume of digital banking.

The primary objective is to make digital infrastructure for banking services more readily available. The expansion of digital banking services will also be aided by this.

In the late 1990s, PCOs were used for long-distance calling, and Internet cafes were used for browsing. DBUs would be used for digital banking. The country's transition from digital-first to digital-only banking through the establishment of DBUs is another significant state, NITI Aayog has advocated for the establishment of "digital only" banks throughout the nation.

Facility/Service Provided by DBU.

DBU has the capability of facilitating various service like

Account Opening

Fund Transfer

Cash Deposit

Cash Withdrawal

Passbook Entries

Internet Banking

Cheque Deposit

- **Account Information:** All the information related to the account can be accessed and modified through DBUs. The customer can also access their transaction history and mini statement.
- **Loan Facility:** most of the services will be virtual and they will be able to upload some of the documents for loaning and they will be having KYC through a video equipment.
- **Cash Recycler:** Cash recycler are they will even make payment from out of the receipts that come from the customer.



Figure 2: Facility Provide by DBUs

Source: <https://www.iamdave.ai/blog/all-about-kiosk-banking-microbanch-service-advantages/>

Challenges of Establishment of DBU's

- **Digital Financial Literacy:** Financial literacy is the ability to understand and manage one's financial resources. It is a key component of personal finance education.

Financial literacy is the ability to understand and manage one's financial resources. It is a key component of personal finance education. Financial literacy can be defined as an individual's knowledge, skills, attitudes, and behaviors that influence their understanding of personal finance issues such as saving, investing, borrowing, spending and managing risk.

The Reserve Bank of India has released the Composite Financial Inclusion Index (FI-Index) for the year ended 31st March 2022 and it is 56.4 that is not enough for success of this DBU's Pilot Programme.

- **Cyber Security:** Cyber security is a major concern for the banking sector. The banking industry is one of the most targeted industries by cybercriminals.

The banking industry has been investing heavily in cyber security to protect their customers and their assets. They have been using various technologies to protect themselves from cyberattacks.

However, it is not enough to just hire experts and invest in cyber security measures. Banks need to educate their employees about the risks of cybercrime and how they can protect themselves from it.

Biggest Cyber Attacks in India

- Cosmos Bank Cyber Attack in Pune
- ATM System Hacked
- UIDAI Aadhaar Software Hacked
- SIM Swap Scam

SWOT Analysis

The SWOT analysis is a critical analysis to identify of establishment of DBU's in India as a pilot programme which also show weakness, opportunity and threat for the improve of this technology for the betterment. Figure 3 show the overview of SWOT Analysis of DBU's.

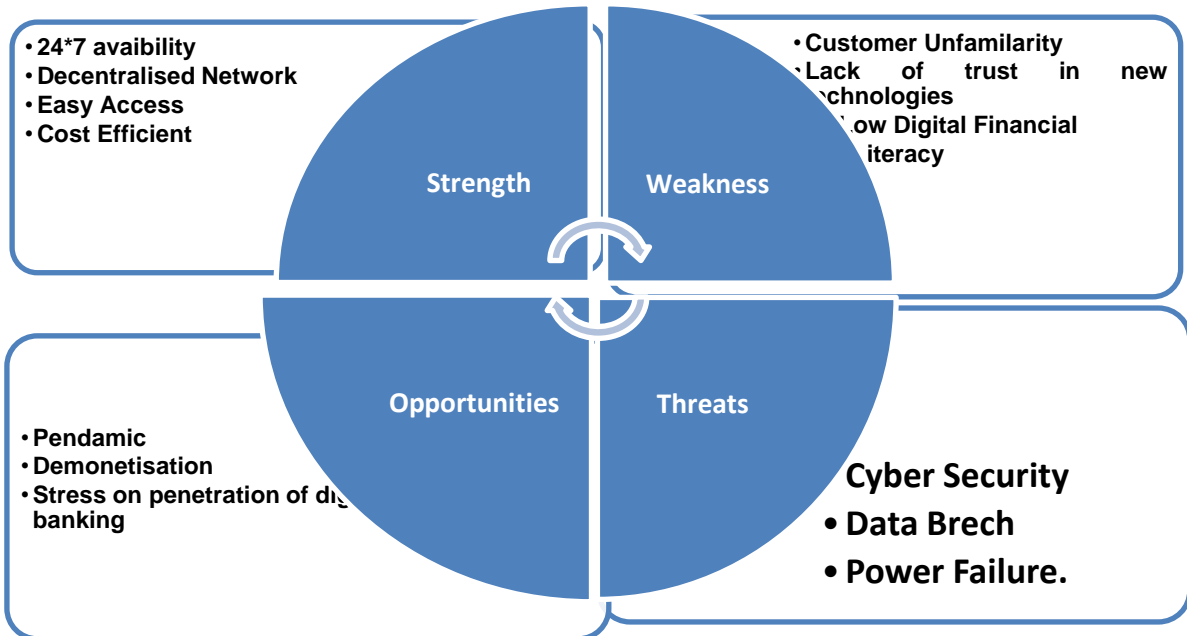


Figure 3: Show the simple overview of SWOT Analysis of DBU's

Conclusion

The Digital Banking Unit is on path of transformation of Banking system. It can change from the traditional model. A distributed paper less terminal should be developed by more banks which help to reduce cost effort and time in any time of transaction. The adaptation of this programme has some challenges like security, privacy and data breach which will surely get addressed over some time. Bank will also be able to avoid any fraudulent transactions.

DBU is about to cause of big transformation. The bank should find the solution to all hindrances such as technology, trust, and cost.

The author strongly recommends that this is the right time to the adaptation of DBU programme.

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