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OPPORTUNITIES AND CHALLENGES IN E-BANKING SERVICE IN THIS DIGITAL ERA

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ABSTRACT

Another word that is frequently used interchangeably with e- banking is "digital banking." Both words are used equally often. Nevertheless, properly speaking, digital banking entails little to no usage of paper money. The usage of paper money is still prevalent, nevertheless. ATMs are a crucial component of the banking system today since they enable consumers to withdraw cash as needed. In a digital economy, there are hardly any monetary transactions. Cash is typically thought of as something that is free. But, using cash has a high price. The expense of currency is discussed in a study piece by Harward Business Review titled "The nations that would benefit most from cashless society." Consumer costs (such as ATM fees, money changer commissions, etc.) are included in the cost of cash. In order to analyse the impact of a CBDC generating interest in the global environment, Dong (2021) worked on statistical models. If a CBDC is the only method of holding value, a higher rate of interest on it might not result in financial disintermediation. Due to the complimentary nature of these deposits and those given by CBDCs, banks and corporations would lend more money and invest more in them. The central bank has instructed banks and non-banking finance firms (NBFCs) to make sure that digital lending apps (DLA's) do not automatically raise the credit limit and do not access the borrower's mobile phone resources. The RBI stated that borrowers must be given a cooling off or look-up period to exit a digital loan by paying the principal and the proportionate Annual Percentage Rate (APR) during this period without incurring any penalties in its "Guidelines on Digital Lending" for Regulated Entities or RES (banks and NBFCs). Yet it is still unclear how the CBDC will really affect the banking sector and the economy. Ten of the eleven nations that have introduced official digital currencies are tiny nations in the Eastern Caribbean, including Jamaica and the Bahamas. In October 2021, Nigeria became the only significant nation to introduce CBDC for retail use. RBI will consequently need to introduce the CBDC and conduct pilot testing very cautiously. The running costs of banks have been significantly cut by digital banking. Because of this, banks are now able to provide better interest rates on deposits while simultaneously charging lesser costs for services. More earnings for the banks have resulted from lower operating expenses. Conclusion: Indian banks still have a ways to go before adopting technology to the same degree as banks across the world.

Keywords: *Digital Banking, Digital Currency, Blockchain Technology, Digital Retail Lending.*

Introduction

The world in which we currently reside is always in flux; it undergoes daily change, which compels us to alter our way of life. Every now and then, a new idea, technology, or invention enters our lives and causes a shift in our way of living. Our lives now revolve on technology, which has a significant influence on every aspect of them. We are depending more and more on technology for our everyday requirements as time goes on. Internet is without a doubt the technology that has altered the world in the

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last 50 years or so, if we have to pick it out and choose just one. Nearly all inventions and improvements have been centred around the use of the internet since its introduction and subsequent broad acceptance and use. The world of computerised communications has undergone an unprecedented upheaval thanks to the internet. It is simultaneously a means of global broadcasting, a method of information transmission, and a platform for cross-locational cooperation and computer interaction. One of the best examples of the advantages of persistent investment and dedication to information infrastructure research and development is the internet. The way business is conducted has been fundamentally transformed by the internet and Technology. The way that customers view the company has also altered. People anticipate that businesses will not only offer high-quality goods and services, but also do so quickly. Businesses must take proactive measures and consistently improve in order to fulfil the always rising consumer expectations, increase market rivalry, and thrive in a world of technological breakthroughs. The financial sector plays a very important part in a country's economic growth. Therefore the banking industry may be viewed as an economy's support system. It makes it easier to build and maintain a reliable payment system that satisfies the needs of enterprises, the government, and the general public. For the economy to develop, the financial system must be robust and stable. Now, the Indian banking industry is going through an IT revolution and is moving towards digitization. The way that banks and other financial organisations operate has undergone a major transformation thanks to the internet. In the late 1980s, information technology was introduced to the Indian banking industry. The IT revolution is currently in a more intensive and significant phase, which might potentially alter not just the whole banking industry but also the entire economy. The modernization of the banking industry after the advent of IT and the internet has helped banks as well as clients. The banking industry has expanded beyond the brick and mortar locations to include transactions on mobile devices like smartphones and tablets. The term "Digital Banking" may be used to describe the present stage of banking.

Digital Banking

E-banking, commonly referred to as online banking, virtual banking, or internet banking, is a concept we are all acquainted with. It is a system that makes it possible to do banking operations including money transfers, loan payments, and EMIs, as well as deposits and withdrawals of cash, online and without having to go to a bank office. Customers that use e-banking can benefit from a variety of services, including Internet/Net banking, SMS banking, ATMs, Mobile Banking, e-cheques, and debit/credit cards.

Another word that is frequently used interchangeably with e- banking is "digital banking." Both phrases are used synonymously. But, in the strictest sense, digital banking excludes or uses almost any paper money. The usage of paper money is still prevalent, nevertheless. ATMs are a crucial component of the banking system today since they enable consumers to withdraw cash as needed. In a digital economy, there are hardly any monetary transactions. Cash is typically thought of as something that is free. But, using cash has a high price. The expense of currency is discussed in a study piece by Harward Business Review titled "The nations that would benefit most from cashless society." Consumer costs (such as ATM fees, money changer commissions, etc.) are included in the cost of cash. Additionally, there is an implicit cost associated with time spent collecting cash, costs incurred by businesses in handling cash, ensuring its security, and transporting it to secure locations, costs incurred by banks and other financial institutions in operating and maintaining ATMs, and costs incurred by the government in the form of lost tax revenue and money printing. In a comparison of all countries, India's cost of cash is among the highest. Imagine a financial system in which the usage of cash is extremely limited. Both the banking industry and the clients will profit from the drastic cost reduction that will emerge from this.

Review of Literature

Dr. Arunangshu Giri and Ipsita Paria (2018) "A Literature Analysis on Effect of Digitalization on Indian Rural Banking System and Rural Economy," a piece of writing. The focus of the current study is on a review and summary of several studies on the effect of digitization on India's rural banking system that have been conducted by various researchers in various parts of the country. According to the report, the landscape of financial inclusion has a lot of potential to alter as a result of digital banking. The study also discovered that low cost, user-friendly features in digital banking might hasten the mainstreaming of the unbanked economy.

K.Hema Divya and K.Suma Vally (2018). In the article titled "A Study on Digital Payments in India with Perspective on Consumer's Adoption," the analysis of the extent to which customers have used digital payment systems is the main subject of the research. 183 Hyderabad respondents provided the primary data. Chi-square analysis was used to examine the data obtained from the questionnaire.

Fantacci (2021). Worked on stable coins, which have a value that is tied to or derived from a primary currency. As central currency changes are often stiff, this means that such cryptocurrencies won't halt rapid movements. Now known as Second Generation currencies, these cryptocurrencies While volatility was the main problem with first-generation cryptocurrencies, stable coins have incredibly low volatility, which will make these types of currencies more significant in the future.

Dong (2021). has developed statistical models to examine the impact of a CBDC generating interest in the environment globally. If a CBDC is the only method of holding value, a higher rate of interest on it might not result in financial disintermediation. Due to the complimentary nature of these deposits and those given by CBDCs, banks and corporations would lend more money and invest more in them. With the manipulation of various ratios, such as reserves ratios, a nation's monetary policy can have further effects on these lending and investment rates.

Sharma (2022). "Analysis of Cryptocurrency: An Ethical Conjecture with Reference to Indian Situation," where the goal of the study was to determine how cryptocurrencies would develop in India and to contrast them with conventional investment alternatives. Analysts came to the conclusion that traditional investments are still preferred by Indians over cryptocurrency investments currently, and that trend would likely continue as time goes on.

Objectives of the Study

This essay tries to highlight the function of digital banking services in India generally and how they specifically provide users more control over the digital credit system. The following two goals serve as the paper's guiding principles:

- To describe how digital money will revolutionise cross-border payments and to trace its history;
- To describe the lending of digital currency (e-rupee) to users of retail and wholesale credit.

Research Methodology

The current essay is primarily descriptive. The secondary data for the article was gathered from a variety of newspapers, magazines, and other published sources. The study finishes with a conceptual discussion of the new tendencies in the industry.

Apart for the information that has been released, primary data is not gathered owing to recurring changes in the e-structure, rupee's lending features, and digital currency transactions in India. Consequently, in terms of managing RBI's monetary policy, using the e-rupee for wholesale and retail transactions.

Recent Trends in Digital Banking Services in India

- **Digitalization:** Banking and financial services in India have to keep up with the changes and build new digital solutions for the tech-savvy clients due to the rapid growth of digital technology. Apart from the banking sector, other significant businesses affected by the big digital change include insurance, health care, retail, trade, and commerce. The banking sector must get on the digital bandwagon in order to remain competitive. With multiple features like IMPS (Immediate Payment Services), RTGS (Real Time Gross Settlement), and NEFT National Electronic Fund Transfer Online, modern developments in digital banking systems make it easier, simpler, paperless, signature-less, and branch-less. In-person and online banking Digitalization has made banking convenient and available at any time. It has lowered costs, increased income production, and decreased human error.
- **Mobile Banking:** One of the key developments in the world of online banking is mobile banking. using a smartphone to perform several banking functions including checking account balances, sending money, and paying bills without having to go to the branch. The traditional banking systems have been replaced by this tendency. To meet client needs, mobile banking is anticipated to improve in efficiency and ease of use over the next several years. Future predictions for mobile banking point to the adoption of both voice-enabled payment services and the Internet of Things (IoT) as future realities. Smart TVs, smart vehicles, smart houses, and smart everything all provide voice-enabled services.
- **Unified Payments Interface:** One of the quickest and safest payment gateways, UPI has completely altered the method in which payments are processed. Mobile phone use enables real-time interbank transactions at any time. In India, the UPI payment system is seen as the retail banking industry's future. The Reserve Bank of India oversees UPI, which was created by National Payments Corporation of India. In 2016, these ground-breaking transactions system

was introduced. Unlike other internet banking systems, this one allows you to transfer money around the clock, 365 days a year. Over 50 banks and more than 40 applications support the UPI transactions mechanism.

- **Block Chain:** In the realm of technology, block chain is the newest term. It is said to be the basic element of crypto money and the banking and financial services technology of the future. It operates on the concepts of computer science, data structures, and cryptography. Block chain employs technology to generate blocks in order to execute, validate, and record transactions without allowing for modification. India Chain, the country's largest blockchain network, is being developed by Niti Aayog and is intended to revolutionise a number of sectors, reduce the likelihood of fraud, increase transparency, speed up the transaction process, need less human interaction, and provide an infallible database.
- **Charbots:** One of the newest developments in the Indian banking industry is chatbots. Some commercial and government-run banks in India have begun to use chatbots or AI robots to help with customer support services. The application of this technology is now in its infancy, but it is anticipated to expand soon. To increase consumer engagement and provide more individualised solutions, banks and other national organisations are anticipated to employ more chatbots with increasing levels of intelligence. The use of technology will lessen the possibility of human error while providing clients with precise answers. Moreover, it may gather feedback and surveys, spot fraudulent behaviour, and aid in financial choices. The establishment of the India Chain network is anticipated to have an influence on a number of elements of the banking and financial industry, including payments, stock exchanges and share markets, trade finance, and loans.
- **Fintech Companies:** Businesses in the financial technology sector are pioneers in bringing technology to the business and banking sectors. The Indian financial services industry now includes fintech firms as a significant component. Huge investments have been made in these businesses over the last few decades, and the industry has grown to be worth many billions of dollars worldwide. The manner that clients are provided with financial services has altered as a result of fintech businesses and applications. PAYTM, Phone Pe Policy Bazaar MobiKwik, Shuch Loans Lending Kart,Pay U, Kissht, and Faircent are a few notable brands that have had an influence. Financial services, consumer satisfaction, and cost have all significantly improved thanks to fintech startups. The fintech sector in India might reach 2.4 billion dollars by 2020, according to research by the National Association of Software and Services Companies (NASSCOM).
- **Cloud Banking:** Cloud banking has completely changed the financial industry.

It appears that technology will soon find a home in India's banking and financial services industry. Banking and financial operations will be organised and improved through cloud computing. When cloud-based technology is used, data security is enhanced, flexibility and scalability are increased, efficiency is raised, services are provided more quickly, and it is simpler to integrate newer technologies and applications. Also, because updating data is simpler with cloud-based banking models, banks won't need to invest in pricey software and infrastructure.

Customers now Expect Digital Banking Services to Power their Financial needs and Goals

Customers are embracing new technologies more quickly, which is a major factor in financial institutions' migration to digital banking. The impact that top merchants have on consumer expectations by involving customers in exceptional shopping experiences is also significant. Customers are being trained by these shops to want the highest level of convenience and customization. Customers now anticipate the same or better service from their financial institutions as a consequence. The results of the most current BAI Consumer Digital Banking Survey show how much customers appreciate digital banking services based on how frequently and in what ways they use them. Twenty-two percent of respondents use mobile banking on a regular basis and forty percent use internet banking at least five times each month. Furthermore, 43% claimed to use online bill-paying at least twice every month. In fact, a large number of respondents stated that their favourite channel for a range of quite complex jobs is online or mobile. Together with the 66 percent who favour these methods for money transfers. 18% even prefer them for resolving an account issue. 46% prefer them for managing investment accounts. Further highlighting the significance of this channel is the sheer number of financial institutions that provide essential mobile banking capabilities like checking accounts and bill payment. As do the various new features that financial institutions intend to implement. P2P payments, balance transfers to and from

accounts at other financial institutions, and the option to form deposit accounts are all garnering popularity, however no one new feature jumps out as the clear favourite. But certain financial institutions continue to lag behind in some areas. RDC will still be added to mobile banking in 22% of cases, 360-degree account views will be made available in 21% of cases, and alert features will be added in 16% of cases. Adding more financial institutions with digital capabilities can build on this development and have significant, multifaceted benefits.

Expanding Digital Banking Generates Even Greater Opportunities

Of course, providing all features Financial Institutions can improve consumer happiness by offering digital banking services, but doing so can also help them accomplish other objectives. Cost savings are one of the most noticeable benefits. According to the BAI Retail Banking Outlook 2017 poll, 41% of financial institutions saw a cost-saving potential in moving consumers to online and mobile channels. Financial institutions have a unique chance to make investments that can increase revenue because to the premium clients place on these channels.

Raise client happiness while reducing costs. Customer acquisition is a crucial corporate objective. According to the BAI Retail Banking Outlook Report poll, 19% of financial institutions view it as a serious business problem. Financial Institutions have potential to solve this issue, grow their market share, and improve their share of wallet thanks to well-developed digital channels, which account for 28 and 33 percent of Financial Institutions, respectively. The data that digital channel transactions create about client behaviour, such as purchasing patterns, is the basis of these opportunities. This data, which is unbiased and collected without the use of humans, may reveal how clients act across all channels. Financial Institutions can get a sharper, more comprehensive image of their consumers when data from many channels is combined. Financial institutions may tailor the client experience, propose new goods and services, and improve their understanding of their consumers. Both of these actions increase customer retention. These developments may encourage the use of digital banking services, increasing the effectiveness of financial institutions and drawing in new clients, particularly from younger populations.

Many members of the Millennial generation, which favours mobile banking especially, are currently choosing their primary banking relationship. By catering to that taste, financial institutions may attract these clients just as they are about to enter the years when they are most likely to require mortgages, auto loans, and other financial goods. Financial institutions that focus on enhancing digital channels today may benefit from data that might reveal insights regarding clients' growing needs.

Conclusions

- The true effects of CBDC on the financial system and economy are still unknown. Ten of the eleven nations that have introduced official digital currencies are tiny Eastern Caribbean nations, including Jamaica and the Bahamas.
- In October 2021, Nigeria became the only significant nation to introduce CBDC for retail use. RBI will consequently need to introduce the CBDC and conduct pilot testing very cautiously.
- The cost of running banks has been significantly decreased by digital banking. Because of this, banks are now able to provide better interest rates on deposits while simultaneously charging lesser costs for services. More earnings for the banks have resulted from lower operating expenses.
- The advantages of digital banking emphasise their significance on their own. The socioeconomic challenges we confront, however, increase the significance of digital banking in India. Digital banking is a secure approach to manage financial transactions in a country with a high crime and corruption rate.
- Using a credit card, debit card, or online wallet is a safer alternative because pickpockets are known to target bulging wallets in many places.
- With more digital information accessible through banks. They can use digital analytics to make judgements based on data-driven dynamics. Customers and the bank gain from this.
- Digital banking has a huge potential to alter the financial inclusion environment. The quick adoption of digital banking can hasten the mainstreaming of the unbanked economy.
- The degree to which clients are satisfied with ATM services varies depending on the technology adaptation under consideration. Overall findings point to customers' dissatisfaction with the quantity of services provided by public sector banks through ATMs.

- Private and public sector banks appear to have similar levels of customer satisfaction with phone banking. The findings imply that the majority of clients have an unfavourable opinion of the service being offered.
- Private sector and public sector banks appear to have varying levels of satisfaction with regards to mobile banking and internet banking services. According to the findings, private sector banks appear to provide superior online and mobile banking services than public sector banks. Customers specifically experienced website freezing difficulties while dealing with public sector banks.

Suggestion

Indian banks still have a ways to go before adopting technology to the same degree as banks across the world. To increase client satisfaction, public sector banks in particular need to increase their technological use. Customers prioritise security as the most critical consideration when adopting new technology, thus banks must increase security. Moreover, public sector banks need to expand the number of services they provide through ATM kiosks and enhance their online and mobile banking offerings.

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