

Digital Banking-A Conceptual Study

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Abstract—This paper examines that technical innovations, rapid advancement of IT and communication network has influenced each and every aspect of human life and made the life more easy, relaxed and comfortable. Education and Economics are two most significant factors of life. The economic aspect is basically depended on banking sector. The progress of banking has brought in new concepts of e-banking or digital banking. This paper deals with digital banking core-banking concept which was introduced by foreign banks and followed by indigenous banks subsequent to the year 1990-91 i.e period of liberalization, privatization and globalization. ICICI was the first Indian bank to start e-banking in 1996. This paper enumerates the latest system of e-transfers of funds, internet banking, ATM operations and electronic money transfers, in the process of advancement and getting growth opportunities there are various challenges also which banking industry has to face. This paper deals with number of problems, barriers and challenges such as negative behavior, rigidity among bank staff and employment of IT professional in banks etc. while adopting the e-banking system. This paper also deals with global strategy providing an organized logical set of steps to tackle the problems. The strategy needs to be carefully coordinated with other national and international level banking policies and plans. The progress of e-banking started by Dr. Rangrajan committee with the introduction of MICR (Magnetic Ink Corrector Reorganization).

Keywords: Digital Banking, e-commerce, e-banking, computerization of banks, Digital India flagship programme of GOI. Digital literacy.

1. INTRODUCTION

The Government of India nationalized Reserve Bank of India in 1948. To make solid foundation of Indian banking system the Banking Regulation Act was established in 1949 (Reserve bank of India act 1949). In 1990, the revolution provided privatization & liberalization in banking sector. In this era foreign banks & private banks came in existence by obtaining licenses from Reserve Bank of India. Indian banks faced intense competition from foreign banks since they were following internet banking and e -banking etc. Banks provide services of information technology viz. Mobile banking, internet banking, automated teller machine (ATM) etc. IT refers to storing, processing and transferring of information with the use of personal computers, telephones, mobile phones, fax machines etc. Technology has changed the banking process from traditional banking to internet banking

over a period of time. It gave extra edged to the banking industry to enhance customer base as well as reach geographical distant and complex markets. It involves a fastest and cheapest way for delivery of banking products and services. Customers are provided with benefits of instant account statements, transfer funds, fixed deposits and purchase drafts by just browsing bank's website through their computers or mobile phones. The progress of banking has brought in new concepts of e-banking or digital banking. System of e-transfers of funds, internet banking ATM operations and electronic money transfers. In the process of advancement and getting growth opportunities there are various challenges also which banking industry has to face. The progress of e-banking started with Dr. Rangrajan committee report, with the introduction of MICR (Magnetic Ink Corrector Reorganization). Subsequently the computerization of banking was planned in 1988 and the clearing house of RBI (Reserve Bank of India) national clearing of Inter-city cheques at metropolitan cities stated. In 1994 payment system, cheques clearing, security settlement in banking committee with emphasis on electronic fund transfer (EFT) system and banks net communication also came to light.

2. REVIEW OF LITERATURE

Kapoor (2015) studied the satisfaction of customers of Public, Private & Foreign banks. Researcher examined the relationship between demographic variables and customer a customer satisfaction with relation to E-Banking. Researcher analyzed that there is high risk involved in e-banking with (mean score 4.01).

Solanki, (2012) examined the various risks such as security risk, Legal risk, Strategic Risk, Operational risk involved in E-Banking. Researcher recommended that there is a need of sound legal system in the economy. Researcher concluded that there is high risk perception in customer point of view in spite of hardware and software technologies like firewalls, encryption and authentication.

Chaturvedi. (2012) studied the various reasons for introduction of internet banking and its awareness among customers. Researcher analyzed popularly and the level of

security among customer in using their services. Result of the study indicates that 93% of the customers are aware of internet services. Whereas 65% customers are satisfied by the security level provided in internet banking.

Manoj (2016) looked into the need for marketing of bank products in India in the ongoing reforms era, special features of bank marketing and strategies for promotion of bank products in the current ICT era with highly discerning customers. In the ongoing era of banking sector reforms in India, there has been fast adoption of ICT by banks as is reflected by the ever growing network of ATMs, large number of delivery channels especially technology-based services like online banking, e-commerce etc.

Sharma (2016) examined and analyzed the progress made by Internet Banking in India. The study is secondary based and analytical in nature. Indian banking industry is observing an IT revolution. A combination of regulatory and competitive reasons has led to increasing importance of total banking automation in the Indian Banking Industry. Information Technology has basically been used under two different avenues in Banking. One is Communication and Connectivity and other is Business Process Reengineering.

3. OBJECTIVES OF STUDY

The study has two objectives as follows:

1. To examine the digital banking system to improve existing structure and practices.
2. To estimate the change in the level of efficiency after introducing the Digital Banking.

4. RESEARCH METHODOLOGY

This being the conceptual study no data was collected and analyzed.

Basically the information has been derived from banks and the personal visit of the researcher is on the basis of the information so collected.

Digital Banking allows the customers to make financial transactions with the help of Internet. Digital banking is also known as “Internet Banking” “Web Banking” “Online Banking” “e-Banking” or availability of banking 24 hours, seven days a week access.

Digital banking is the Future of Banking system. In digital banking system financial institutions/banks provide a facility of electronic payment system to their customer’s from their website. In digital banking banks are render every service to the customers which are given traditionally in branch, like Deposits, fund transfer, *etc* is now done online or by mail.

Internet users are increasing rapidly throughout the world and 34.8% share of Indian population as well as 13.5% share of world use Internet (<http://www.internetlivestats.com/internet->

users/india/). Banks can allow using online banking for their customer. Customers can initially register with financial institution to access the services through internet and also setup a unique id, password for customer verification. Each customer has its own customer number which is different from their account number. Because more than one bank accounts are linked with one customer number. With the use of internet banking customers can operate bank accounts according to their convenience.

Digital banking doesn’t provide direct assistance of ATM access; it makes such arrangements so that consumers use ATM’s at other banks and retail shops. They also gave higher interest rates on accounts. In digital banking customers services are handling by email, phone, call centers or online chat. In current scenario online banking is commonly used on mobile devices as 4G networks & Wi-Fi is widely available.

Banks are providing digital services to customer through their website. Digital banking is distinguished in three types.

Basic Level services Websites in which banks Provide information about the products & services provided to the customers.

Non-Transactional Websites in which customers can check account balances, transactions, ordering cheque books and downloading statements.

(iii) **Transactional Banking Websites** in this customer can transfer funds in their accounts as well as third party transfer, investment, application of loans, application for credit cards, payment of bills (utility bills, mobile bills) and deposits.

Government of India launched its Unified payment Interface (UPI) on 11 April, 2016. It allows the people to transfer of funds easily from one bank account to others through smart phone both online & off line.

Efficient Digital Economy

The fast evolving global information infrastructure including information technology and computer networks such as the Internet and telecommunications systems. This system has made universal development of electronic commerce at a global level. The closely universal connectivity worldwide has been offered by Internet. it is an invaluable business tool with the banks has made the personal life of the customers not only easy but comfortable also. The time saving is tremendous and the time value is measured in terms of money. These developments have created a new type of economy, which is termed as ‘digital economy’. This fast developing economy is bringing with it rapidly changing technologies due to that there is increase in knowledge as well as also give new forms of business and service delivery channels such as E-banking. E-bank is the electronic bank that provides the financial service for the individual client by means of Internet.

5. DISCUSSIONS

E-Banking is the system where customers can use banking services by browsing the bank's website through his personal computer. They can use the banking by just doing one click on their Personal computer. Information technology has made easy for the customers to use product and services of banks. In this case the customer need not personally go to the bank for purpose of withdrawal of cash as the bank are observing cashless system and the electronic system of transfer of funds have made it easy to operate at the connivance of the customers. In the process of advancement and getting growth opportunities there are various challenges also which banking industry has to face. Number of problems, barriers and challenges are on the way such as negative behavior, rigidity among bank staff and employment of IT professional in banks etc. while adopting the e-banking system.

The system of internet banking is very easy to operate and the customers are provided with customer number to obtain access their bank accounts or obtain loans and advances. The types of financial transactions which a customer may transact through online banking are determined by the financial institutions and banks, but usually these includes obtaining account balances, a list of the recent transactions, payments are made through electronic medium'. In this system all statutory payments to government agencies are also made on line, this include the payment to telephone departments or others. The government has also started territory transaction also through internet banking. The government payments of subsidy payments like gas subsidy, scholarship to students are also being managed through internet banking.

6. CONCLUSION AND SUGGESTIONS

Bases on the discussion above the instances can be drawn that the internet banking is providing the customers with a variety of facilities and the customers are not only saving their time and energy in bank operations but the benefits of timely information without loss of time is a major benefit and the utility of time saving at national level accounts for increased production hours and the savings on account of expenditure for personal visits has given an increased per capita income of individuals. The internet banking has provided benefits to the public in saving bank time & energy with the result that the bank can provide better services. The banks can have extensive coverage of markets/customers at minimum cost. Internet banking is fast secure and convenient.

Through electronic transactions the cost is also reduced as earlier performed by the teller. Internet banking services saves substantial time of bank employees. Banks must be encouraged to know about E-Banking and use value added services like call centers for their routine enquiries; by which employees can save time and concentrate on other major issues. Effective steps must be taken not only to attract new customers but to retain existing customers also, by giving

proper attention and guidance to the customers. The maximum satisfaction experienced by the customers will broad base the banking services and the banks can concentrate of retaining existing customers and attracting new customers.

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