

DIGITAL BANKING SERVICES: A WAY FORWARD TOWARDS INDIA'S CASHLESS ECONOMY- A STUDY

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Abstract

"Demonetisation is the biggest push. The biggest beneficiary is digital banking," The world has changed and continues to change rapidly. The convergence of telecom, media and computing has changed the way we work, play and live. Cashless Economy is when the flow of cash within an economy is non-existent and all transactions have to be through electronic channels such as direct debit, credit and debit cards, electronic clearing, and payment systems such as Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) in India. As of now, Cashless Economy has only an academic importance. The Indian Economy continues to be driven by the use of cash; less than 5% of all payments happen electronically. In India, the ratio of cash to gross domestic product is 12.42% in GDP, which is one of the highest in the world. It was 9.47% in China or 4% in Brazil. Further, the number of currency notes in circulation is also far higher than in other large economies; India had 76.47 billion currency notes in circulation in 2012-13 compared with 34.5 billion in the US. In this regard an attempt is made to study the digital banking transactions in India. In Computer era, the banks are offering more sophisticated technological electronic products to their largely preferred customers through information technology, accordingly the customer usage of various e-services also increased tremendously. Hence, it is given a great responsibility to banks in the view of protecting their economical data from the cyber attacks. Further, RBI has to set a proper mechanism for the settlement of online banking disputes.

Introduction:

Demonetization is an age 'paramount tough test and one of the economic cases within recent memory. Its impact is perceived by every Indian thing. The liquidity affects the economy by liquidity. Demonetizing is a dynamic action for the mass economy, with more prominent spotlight in electronic exchanges. Raising consumption of credit / charge cards, accounting an account and other online components, is another constructive outcome of demonetization, to bring these down costs as well as a part of this as part of the conversion to try too few expenses. Economic Data Innovation (IT) is the world's preferred type of exchange exchanges quickly in conducting an account because of its similarity to the help of a cashless economy and the simplicity of the exchange at the finger, spending time, stretching and holding long lines of banks holding up. This paper exhibits an innovative advancement in patterns for increasing the money for innovation management with an account of Indian department and demonetization.

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Review of literature

Anni DASHO (2017) The author proposed that the migration to a digital banking world will not be smooth and will lead to further fragmentation in the financial service markets. Banks must undergo a deeper modification of their business, culture, and IT, and above all, will need put innovation at its core and use data to create new business, revenue and customer engagement.

Cajetan I. Mbama,(2017) The author finds that the main factors which determine customer experience in Digital Banking are service quality, functional quality, perceived value (PV), employee-customer engagement, perceived usability and perceived risk. There is a significant relationship among customer experience, satisfaction and loyalty, which is linked with financial performance.

Chandrawati Nirala, (2017)The rapid advancement in information and communication technology has significantly influenced banking industry. Banks and financial organizations have improved their services as a financial intermediary through adopting various IT solutions. Technology now has become a tool that facilitates banks' organizational structures, business strategies, customer services and related functions. Digitalization changes face of branch banking.

Nitsure (2014)In his paper observed that the problem being faced by developing countries like India in the adoption of E-banking initiatives due to low dissemination of Information Technology. The paper highlighted the problems such as security concerns, rules, regulation and management. In India there is a major risk of the emergence of a digital split as the poor are excluded from the internet and so from the financial system.

Sriram DevulapalliAs the motto of this study is to prove that safety and security is the main challenge of e-banking in India, we found that even the practical users of feel that safer and secure usage of e-banking is a drawback. As discussed above, if the safety measures are adopted by all the banks, e-banking will be a phenomenal implementation by the citizens of India. It might even transform into a revolutionary service by the banking companies.

Objectives:

1. To study the e-services offered by banking sector to their largely preferred customers.
2. To suggest the safety measures to operate the online banking activities.

There are several reasons to prefer Cash over electronic transactions.

- Lack of access to banking leaves no option other than cash for a large fraction of the population.
- Since, there are no extra transaction costs in Cash payments, it affects the consumer behaviour. Electronic payments had been so far unviable for small value transactions but things are changing fast.
- Cash provides flexibility and simplicity as a transaction needs only moving from one hand to another, there are no worries about crashing of computers and losing the transactions.
- India has a large unorganized sector with overwhelming majority of retailers, suppliers and service providers. They have neither the infrastructure to offer card-based transactions nor the inclination to encourage consumers to pay by credit cards or debit cards.
- The lack of education / awareness among consumers regarding use of cards

Trend of Online Transactions:

Digital transactions have increased sharply after demonetisation. The trend has been helped by the plethora of options available today for online transfer of funds. However, the following are the few indicators for expansion of cashless economy in India.

1. NEFT
2. RTGS

3. MOBILE WALLETS

4. UNIFIED PAYMENTS INTERFACE

NEFT:

The National Electronic Fund Transfer, or NEFT, is one of the most commonly-used ways of transferring money online from one bank account to another. There is no cap on the amount of money that can be transferred. However, individual banks may set a limit. State Bank of India, for example, has capped the NEFT transfer amount under retail banking at Rs 10 lakh.

RTGS:

The Real Time Gross Settlement, or RTGS, is for high-value transactions. The minimum amount is Rs 2 lakh. There is no cap. The transfer happens on a real-time basis throughout the RTGS business hours

Unified Payments Interface:

UPI-enabled apps allow transactions to be done through any smart phone using VPA (Virtual Payment Address). The aim is to enable people to complete transactions in less time by reducing the number of steps. The transactions can be done 24/7; the transfer happens on a real-time basis. The best thing is that there is no need to share personal details such as bank account or credit/debit card number. UPI-enabled apps allow transfers up to Rs 1 lakh.

Table 1: Trend of digital Transactions.

	Volume (million)			Value (million)		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
RTGS	92.8	98.3	107.8	7,54,032	8,24,578	9,81,904
ECS DR	226	224.8	8.8	1,740	1,652	39
ECS CR	115.3	39	10.1	2,019	1,059	144
NEFT	927.5	1,252.90	1,622.10	59,804	83,273	1,20,040
Immediate Payment Service (IMPS)	78.4	220.8	506.7	582	1,622	4,116
Credit Cards	615.1	785.7	1,087.10	1,899	2,407	3,284
Debit Cards	808.1	1,173.60	2,399.30	1,213	1,589	3,299
Prepaid Payment Instruments (PPIs)	314.5	748	1,963.70	213	488	838

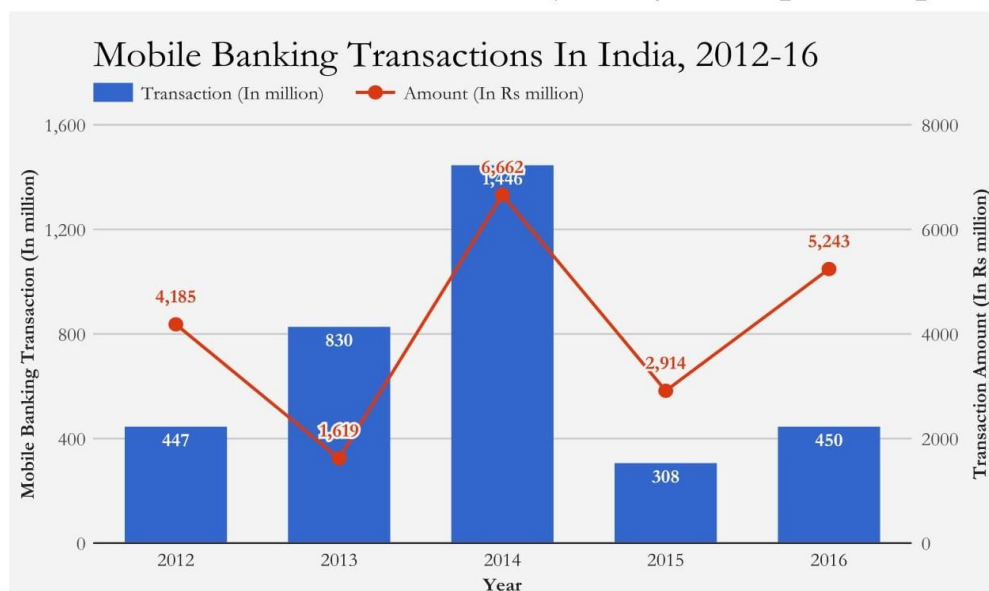
Source: RBI

The above table reveals that, Bank transfers made through the National Electronics Funds Transfer (NEFT) system rose approx. 30% in number and approx. 40% in value, while transfers using the Real Time Gross Settlement (RTGS) system rose 9% in number and approx. 15% in value over 3 years ending 2017, according to data of Reserve Bank of India. Electronic transfers, as the term suggests, requires Internet access. But, only 13% (108 million) of 833 million Indians in rural areas have Internet access. Rural India has been worst hit by “note bandi”, as the withdrawal of Rs 500 and Rs 1,000 notes is colloquially called.

As many as 73% of Indians cannot access the Internet, India Spend reported on December 3, 2016; India has 342 million Internet users, according to March 2016 Telecom Regulatory Authority of India (TRAI) data. In urban India, 58% of people have access to Internet.

According to RBI data Debit cards increased from 808 million to 1173 million in 2017 whereas credit cards rose from 615.1 million to 1,087.10 million in 2017. Debit cards are mainly used for cash withdrawals from ATMs in India; only in urban areas are they used for cashless payments or at Pos.

Graph 1: Graphical Presentation of mobile banking Transactions.



Source: [Reserve Bank of India](#)

Although there were yearly fluctuations, transactions conducted over mobile phones—there are about 1058 million active mobile phones—rose from Rs 4,185 million in 2012 to Rs 5,243 million in October 2016. For a majority of banking applications, a smart phone is a prerequisite. No more than 17% of Indian adults own a smart phone, according to this 2016 survey by Pew Research, a consultancy. Of 930 million mobile phone subscribers, only 154 million subscribers (16.5%) have broadband connections, according to this March 2016 TRAI report, limiting access to mobile banking. Another hurdle is taking more time to load a page on a mobile phone.

Safety measures for online banking Transactions

Indian Banks is strongly committed to protect funds and confidential information. It strives to provide the most secure environment possible to be confident when accessing to financial information in an online. While working to protect banking privacy, customer also plays an important role in protecting accounts and personal information. The following steps ensures to protect an account information.

- Choose an account with two factor authentication
- Create a strong password
- Secure your computer and keep it up-to-date
- Avoid clicking through emails
- Access your accounts from a secure location
- Always log out when you are done
- Set up account notifications (if available)
- Monitor your accounts regularly

Conclusion:

In Computer era, the banks are offering more sophisticated technological electronic products to their largely preferred customers through information technology, accordingly the customer usage of various e-services also increased tremendously. Hence, it is given a great responsibility to banks in the view of protecting their economical data from the cyber attacks. Further, RBI has to set a proper mechanism for the settlement of online banking disputes.

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