

# DIGITIZATION IN BANKING INDUSTRY: INDIAN PERSPECTIVE

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## I. ABSTRACT

This time in which we live today is prevailed by "Digitization". This word which has advanced lately has without a doubt turned into the essence of "Banking Sector" in our nation. Banks in our nation are never again made of just blocks and mortar conveyance channels. They have without a doubt reformed into the idea of whenever, anyplace. New mantra for banks says Digitalize or bite the dust. Digitalization is basically worried about what all banks are required to improve administrations to the clients. There are different advancements which are to be embraced for digitalization of back office. It additionally guarantees independence to the clients in however conceivable. The significant significance of computerized banks lies in their capacity to be inescapable.

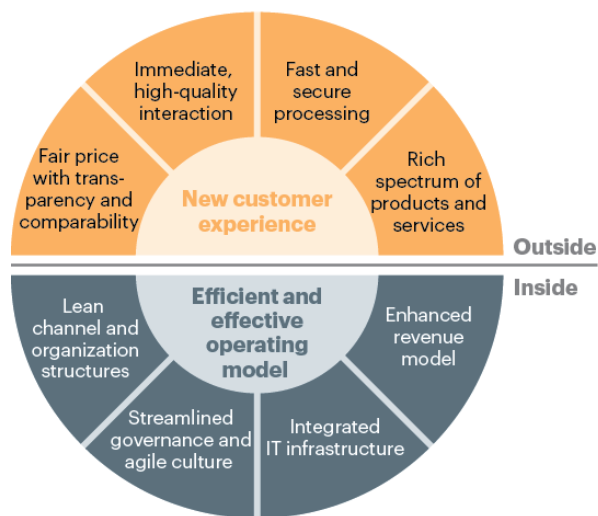
Since difficulties frequently bring forth openings, so the significant test before the banks is to digitalize them. Empowering them to meet inclinations of the general population of all ages has additionally offered ascend to tremendous chances, coming about into the reformed variant of banking known as "Advanced Banking". This applied research article manages the idea of Digital Banking, its highlights and flow status of advanced banking in India.

**Keywords:** Digitization, Digital installments, AEPS, USSD

## II. INTRODUCTION

"Computerized" is the new trendy expression in the financial segment, with banks all around the world moving towards digitalization. Banking today is a thriving industry and consequently Banks everything being equal and over all locales are making immense interests in advanced activities so as to keep up an aggressive edge and convey the greatest to its clients. Web banking has risen as the greatest center region in the "Advanced Transformation" motivation of banks.

Figure 1

**Digital banking offers the best of two worlds**

Source: A.T. Kearney analysis

The essential strides on the computerized financial adventure have been to a great extent concentrated on adding to the current offering utilizing new, innovation empowered administrations to build the openness and incentive for clients. The most discernible models are versatile applications, e-wallet arrangements, APIs, and individual fund the executives (PFM) apparatuses. The present business needs for banks in the computerized world is to utilize the new foundation for expanding gainfulness and income. In this imaginative plan of action, it is urgent to guarantee administrative consistence for smooth and long haul execution. The key test in the computerized time is to guarantee all clients are protected from cybercrimes, and the most exceptional digital securities are utilized. The move to digitalization and its duration ought to take into account diminished expense for the business, as this will decrease labor and make the framework computerized.

**Importance of Digitalization**

It is most likely viewed as the true operator, achieving the entire change in the financial segment. Digitalization has endless significances, some of which are:

**Going Paperless:** Digitalization prompts enormous advantages as annihilation of paper based society. It prompts empowering rapid exchanges.

**An expanded access by the clients:** Digitalization builds the entrance of the clients of banking offices.

**Improvement in the nature of administrations being offered:** Helps in giving upgraded administrations. Digitalization guarantees the arrangement of improved administrations.

**Accommodating in structure up associations:** Digitalization helps in structure up organizations so as to upgrade the nature of banking administrations by structure up a collaboration.

**An intense acceleration in costs:** Automation of the back workplaces may empower the banks to acknowledge colossal cost investment funds. Absence of digitalization frequently prompts staggering expenses as blunder costs, upkeep costs, work expenses, and foundation costs.

**Countering Inefficiencies:** it can improve the efficiency of banks

**Improving Connectivity:** Digitalization in banking is fundamentally focused after interfacing individuals to their cash all the more precisely and quickly.

**Guaranteeing Consumer fulfillment:** Helps the customers to keep up a progressively composed life. There has been a sensational change in the dimension of client administration.

**Extended zone of achieve:** The data transfer capacity of reach of the banks has additionally been on a record-breaking high because of the digitalization. It has likewise prompted an entrance in the financial segment in India. It prompts money related incorporation of individuals in the best way.

### III. LITERATURE REVIEW

**Balwinder Singh and Pooja Malhotra (2014)** he paper presents information, drawn from a review of business banks sites, on the quantity of business banks that offer Internet banking and on the items and administrations they offer. It researches the profile of business banks that offer Internet banking, utilizing univariate factual examination, in respect to other business manages an account as for gainfulness, cost proficiency, and different attributes. Before the finish of first quarter, 2004, contrasts among Internet and non-Internet banks had started to develop in subsidizing, in sources.

**Jayshree Chavan (2013)** paper talks about certain difficulties in a developing economy. Paper presumed that one of the advantages that banks experience when utilizing ebanking is expanded consumer loyalty. This because of that clients may get to their records at whatever point, from anyplace, and they get included more, this making associations with banks. Banks ought to furnish their clients with accommodation, which means offering administration through a few dispersion channels (ATM, Internet, physical branches) and have more capacities accessible on the web.

**Rajpreet Kaur Jassal et. el (2013)** This paper intends to clarifies about the purpose for the security breaks and the support of the two clients and the banks to empower the programmers or wafers to get to others organize. The present investigation means to discover different sorts of defects in the security of internet banking those outcomes in loss of cash of record holders and money related organizations. Security ruptures are not just due to banks blames and banks insufficient police however clients are similarly in charge of it, in light of the fact that customer's mindfulness in regards to security is similarly critical.

**Roshanlal and R saluja (2012)** The advancement in e-banking in Indian financial industry is estimated through different parameters, for example, Computerization of branches, Automated Teller Machines, Transactions through Retail Electronic Payment Methods and so forth. Factual and numerical devices, for example, straightforward development rate, rates and midpoints and so forth are utilized. The paper likewise features the difficulties looked by Indian banks in selection of innovation and suggestions are made to handle these difficulties. The paper presumes that in years to come e-banking won't just be adequate method of banking however favored method of banking.

**Vikas Chauhan and vipin Choudhary (2015)** The present paper endeavors to comprehend the idea of web banking just as concentrate the advantage of web banking from point of view of buyers just as banks. Further, this paper examines the difficulties and openings related with the web banking in Indian setting. The talk Concludes that Concept of Internet banking Is gradually picking up Acceptance in Indian Scenario and Efforts are Being made by government Agencies to make It progressively Popular among shoppers

### IV. OBJECTIVES

- To cognize the idea and highlights of digitization in banking industry

- To consider the status of advanced banking in India
- To give suggestions for further digitization of banking industry in India

## V. RESEARCH METHODOLOGY

Being an exploratory research it depends on auxiliary information of diaries, articles, papers and magazines. Considering the targets of concentrate distinct sort inquire about plan is embraced to have more precision and rigors investigation of research ponders. The open optional information is seriously utilized for researches contemplate.

## VI. FACILITATORS OF DIGITIZATION IN BANKING SYSTEMS:

To encourage the digitalization of banking industry, the empowering influences can be gathered basically into: Digitalize Customer Experience, Digitalize Products and Services, Digitalize Organization and Digitalize Operations.

### 1) Digitalize Customer Experience

Digitalization impacts everything, and this effect is transformative. Digitalization is tied in with assuming full responsibility for your client experience and dealing with every one of the necessities, existing and new, for your clients and building up a plan of action in like manner. Clients drive this pattern of digitalization, as they know about their necessities and search for organizations that take into account and satisfy their start to finish prerequisites. Clients have promptly and easily adjusted to the advanced world. Clients expect a consistent multichannel experience and a steady, worldwide administration. They judge their experience on three dimensions: how well organizations comprehend their necessities; the effortlessness of working together, and; how wonderful it is. There must be a fixation on client experience and create approaches to consistently improve the experience and gain from each communication.

### 2) Digitalize Products and Services

Customarily, banking practice has concentrated on "item push" (for example expanding deals targets) instead of seeing how best to please its clients. As of late, banks are quick to turn out to be more client driven. Advanced framework furnishes billions of clients with moderate broadband and minimal effort gadgets. Banks need to grow new items and administrations that are meeting the changing needs of clients, keep up focused edge and match with the most recent innovation patterns.

"Barclays was one of the main banks to move to web and computerized banking, uncovering that its clients presently visit their branch by and large two times per month, while utilizing the bank's portable administrations multiple times in a similar period."

In addition, there is a development by a few banks to secure imaginative installment organizations as an approach to bring advancement inside and influence new developing innovation. Banks additionally need to manufacture items dependent on client portions while keep up high spotlight on versatile entrance.

### 3) Digitalize Organization

While all banks perceive the significance of multichannel incorporation with a bound together stream of data, they have not organized their inside associations and administration arrangements likewise. Other than administration, conventional ways to deal with channels, items, and client portions should be modernized and existing storehouses should be destroyed. While a large portion of the endeavors are centered around the client, digitalization's extreme effect toward the back frequently gets dismissed. A total audit of existing structures will be required to help the new advanced financial adventure. Back-office staff should grow exceedingly productive abilities while in the meantime

have the capacity to see new requests of the clients. The push to utilize enormous information to improve client relationship the board (CRM) abilities is putting weight on information quality and administration and significantly expanding framework execution, but then just around one of every four banks have prompt designs for huge information ventures.

#### 4) Digitalize Operations

Banks will turn out to be increasingly advanced. As clients, contenders, and even administrative organizations push toward this path, the guarantee of whenever, anyplace managing an account with straightforwardness and comfort will at last unite every one of the components of banking in the advanced world.

"In an article in the Financial Times, McKinsey London's Tunde Olanrewaju, composed that "Retail bank clients don't encounter a similar dimension of computerized decision, opportunity and strengthening as in different enterprises, for example, travel, to cite only one."

Banks need to recognize openings by taking a gander at the general client life cycle, center around improving encounters and empower better client administrations. Banking does not ensure client faithfulness because of client conduct. A change of dedication has been seen in the business, besides devotion isn't the key answer, yet it is encounters. Client experience and client administration should be upgraded intelligently: from cross channel and multichannel to omnichannel. The act of computerized advertising and client administration techniques should be locked in to obtain, hold and enjoyment clients.

#### VII. DIGITAL BANKING STATUS IN INDIA

India remains a to a great extent money based economy with money representing over 78% of all retail installments. Contrasted with some different nations, similar to China, Mexico and Brazil, India positions extremely low identifying with Non-money exchanges by non-banks per capita per annum just as number of pay focuses (for advanced installments) per million individuals. The money reliance, thus, has affected government's capacity to extend charge consistence and improve tax.revenue. Digitization of exchanges is a commitment for India; it will profit poor people, the white collar class, the organizations and the country. India is essentially behind friends on computerized exchanges, and digitization will make a multiplier advantage in productivity of capital and asset portion through more noteworthy straightforwardness, detectability of exchanges, uphold capacity of law and fundamentally floated duty incomes which will increase State's assets for social welfare.

##### Current Status

Digital payments and per capita transactions in India are one of the lowest compared to similar countries as indicated in the following table

Country	Non-cash payments transactions by non-banks per capita per annum	No. of pay points per million people
India	11	1.080
China	26	16,602
Mexico	32	7,189
South Africa	70	7,267
Brazil	142	25,241
UK	355	30,078

Singapore	728	31,096
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### Methods of Digital Payment

Subsequent to dissecting all methods of instalments existing in the nation, it might be concluded India will have an advanced instalment system to a great extent dependent on the accompanying modes:

- Aadhaar empowered Payment System (AEPS): Micro ATMS/ATMs/Aadhaar Pay
- Mobile telephone based: Both Smart Phone and Feature telephone
- Swiping: ePoS, mPoS, MicroATM& ATM

### Imperatives

Coming up next are the imperative requirements which hampers the progress of the nation to advanced instalments mode:

- Attitudinal Change and Training;
- Lack of equipment including acknowledgment foundation;
- Lack of legitimate availability and Data framework;
- Lack of a legitimate digital security, Fintech and protection stage for Digital Payments;
- Digital exchanges are costlier than money;
- Lack of fitting computerized installment mode for high money and powerless clients like ranchers;
- Lack of interoperability among different banks and methods of installments.

### A Long Way to Go

The ongoing choice of the Government on demonetization has made a monstrous chance to quick track the take off of advanced installment development. Be that as it may, given the scale and pace for this change, for the Government to use this open door would require broad, inventive and strong choices to encourage social change among the average folks in moving to computerized plat structure. Government activities should be on following lines:

- Set focuses with clear achievements and an observing framework for development;
- Grow and reinforce the physical foundation, including beginning and acknowledgment framework, organize network, and so on.;
- Detail a motivation structure that makes computerized installments progressively appealing alternative versus money and expel all disincentives as of now connected with advanced exchanges;
- Figure institutional, strategy, administrative changes that advance selection of computerized installment mode; Formulate a solid digital security arrangement for advanced installments;
- Plan a debate settlement system and protection arrangement on advanced installments; Patenting new innovations like AEPS/AadhaarPay;
- Make mindfulness and spread money related proficiency



- The proposed activities will require purposeful and facilitated exertion over a wide range of partners, including
- Government, driving the way, provide generally guidance, strategy choices and execution;
- Money related substances, as NPCI, RBI, Banks, Payment portal suppliers, to extend the specialized foundation and reinforcing security;
- Media transmission substances, as TRAI, Telecom Players, Smartphone Players, in extending framework and fortifying security;
- Mindfulness accomplices, including an expansive range of substances who should be restricted in as accomplices in driving mindfulness like the Microfinance establishments, Fertilizer Corporations, NGOs, Corporates, Panchayati Raj organizations, and so on.

#### VIII. RISKS ASSOCIATED WITH DIGITALIZATION:

Numerous dangers exist with respect to the digitalization, or rather because of the digitalization. A portion of the dangers have been enrolled beneath:

1. **Removal of customary topographical boundaries:** This contracting and extreme evacuation of conventional land obstructions has brought up the issue of law/supervisory framework. This issue has come to surface as different financial exchanges are liable to various frameworks of laws and supervisions, as the banks in various geological locales have distinctive laws administering them. Digitalization has prompted contracting of these obstructions and foundation of a typical supervisory framework everywhere.
2. **Security of banking exchanges:** Customer's security has for long been the matter of worry for brokers just as managers. Web based banking independent of being highly verified still has provisos as digital violations and spillages in the passwords and verified data of the clients.
3. **Potential danger of misfortune:** It likewise represents a potential danger of loss of business to the banks which don't react on time to specialized changes, as absence of convenient reaction to the progressions frequently prompts the utilization of out of date procedures by banks This thus prompts stagnation with respect to banks which neglect to redesign themselves.
4. **Supervisory and Regulatory concerns** Both supervisory just as the administrative concerns are being looked in advanced banking. As the computerized banking is exceptionally assorted so it's by difficult to uphold supervision and to control such different banking activities, since the inclusion zone and the clients being taken into account by means of the advanced banking are extremely wide
5. **Effective and Intelligent utilization of funds:** It can be appropriately said that "Simply gigantic presentation of IT would not be adequate to realize essential flawless improvement". Intelligent individuals are required touse these apparatuses astutely.
6. **Increasing Complexity.** The heritage arrangement of the different banks is complex, so supplanting them without causing an effect on the running activities is a significant overwhelming undertaking.
7. **Increase in Expenses:** The up degree required is very costly in numerous viewpoints likewise the required staff aptitude and extra assets are the most detailed ideas.

#### IX. Conclusion:

Advanced can possibly change the customary plan of action of banks, fundamentally in certain occasions. The banks that are eager to grasp advanced are probably going to profit from various perspectives. Computerized banking

usage is going to change the financial division regardless, regardless of whether banks are set up for it or not. In this way, it is to their greatest advantage to do all that they can to adjust.

## X. RECOMMENDATIONS

A. **Set target and observing component** : An objective for development in all out esteem and volume of advanced exchanges might be set covering all methods of computerized exchanges, including NEFT, RTGS, Aadhaar empowered installment frameworks (AEPS), Aadhaar Pay, IMPS, Card use at PoS, UPI, USSD, m-wallets and PPI cards. Amid October, 2016 the complete number of advanced installments was ~ 900 million (Source: RBI), which means only 1 exchange for every grown-up every month for roughly 900 million grown-ups. The Committee suggests an objective of 30 billion advanced installments a month by December 2017, for example one advanced installment exchange for each grown-up individual every day.

B. **Expand specialized foundation for advanced installment** : AEPS can take into account the area of the populace not having cellphones and for different sections can be embraced premise its effortlessness for advanced installments. To guarantee wide-scale appropriation of AEPS and Aadhaar Pay, banks should be ordered to finish Aadhaar seeding of every one of their clients in a period bound way. All channels, for example, ATMs, small scale ATMs, bank offices and Internet banking ought to be made accessible to clients for seeding their Aadhaar and versatile numbers with their ledgers on a between operable premise, for example any bank client ought to have the capacity to seed Aadhaar and versatile number at any bank's ATM or MicroATM. All banks must guarantee that their AEPS portal are ready for action constantly and have legitimate compromise groups set up.

### C. Increasing supply of acknowledgment framework

- **Scaling up:** All the Public Sector Banks (PSBs) ought to be commanded to stretch out their innovation framework to all the 56 Regional Rural banks (RRBs) so that 56 RRBs additionally become a piece of interoperable AEPS, UPI and USSD. All Scheduled Commercial Banks and Payment Banks are to be empowered for interoperable AEPS, UPI and USSD. Similar offices ought to likewise be reached out to country and urban helpful saves money with the mechanical help of NABARD.

- **Promote AEPS:** Rollout of Aadhaar Pay application riding on the AEPS stage might be sped up by urging banks to embrace the equivalent. Bank offices to be offered focus to locally available dealers in their region to receive Aadhaar Pay with their current android cell phone and biometric peruser which would exhibit an essentially financially savvy elective contrasted with the conventional PoS foundation. There ought to be a bank-wise focus to accomplish 10 lakh dynamic Aadhaar based trader outlets by June, 2017 and 40 lakhs by December, 2017

- **e-KYC** : To guarantee that all Aadhaar holders can open a record flawlessly, Aadhaar-based e-KYC ought to be compulsorily accessible as a possibility for opening records in a computerized way at all Bank offices/BCs and so forth by February 28,2017.

- **Pre-Paid Instruments (PPIs):** All banks and their PPIs (e-wallets) should be interoperable utilizing the UPI backend to make a system impact. For going in transports and sub-urban trains and metros, contactless installments ought to be advanced. The examination being completed under the Scheme of National Common Mobility Card (NCCM) in Bangalore ought to be taken off in all the proposed savvy urban communities.

- **Unified Payments Interface (UPI)/BHIM:** UPI Application sent by the banks ought to contain a typical between operable UPI QR code. Banks ought to from that point dispatch a drive through their branches to 7 send the regular QR code at dealer areas. Make the Aadhaar number compulsory for the UPI/BHIM application.



- **Unstructured Service Supplementary Data (USSD):** Utilization boundaries for USSD ought to be disposed of for more noteworthy appropriation – prioritization of USSD signals for containing high volume of session drops right now, topping of buyer charges at Rs. 5 every month for boundless number of exchanges, non-reaction time out to be expanded from 10 seconds to 30 seconds, session time to be expanded to 5 minutes. USSD will likewise be made utilitarian just by entering Aadhaar number which will help semi-urban and country natives to receive USSD easily.

**D) Create mindfulness and preliminaries among clients and traders:** Influence organizations with rustic impression for preparing on computerized installments viz. Panchayat Institutions, Common Service Centers, Self-Help Groups, Cooperatives, Farmer Producer Organizations, Agricultural Societies, NGOs, small scale money foundations, India Post, Fertilizer enterprises.

**E) Strengthen security in advanced installments:** Government should turn out with a protection plan to cover misfortunes brought about in computerized exchanges by virtue of misrepresentation, and so forth so as to address the misgiving of overall population in embracing advanced installments. The plan should target low ticket exchanges to cover the helpless segments like little vendors, ranchers and so on.

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