



ISSUES AND CHALLENGES OF DIGITAL BANKING IN INDIAN BANKING SECTOR IN RECENT TIMES

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Abstract: The study has been undertaken to explore and evaluate the emerging issues and challenges of digital banking faced by Indian Banking Sector especially during post COVID and to make an attempt to make the marketers and users aware of those issues and challenges. Due to the advancement of technology and COVID pandemic (COVID), the need and call for digital transformation have accelerated in the banking sector in recent times. Indian banking sector has experienced a remarkable change recently. There has been an amazing transformation in Indian Banking Sector i.e., Digital Banking. In fact, digital banking has completely changed the lifestyle of the entire mankind. Undoubtedly, Digital Banking has benefited most of the sectors of the society. Though there are many benefits of digital banking services, there are many issues & key challenges which the banking marketers and the users should be aware of. Despite digital banking sites and mobile apps have been designed to be secure and the banks have been setting up the updated security protocols regularly in place, the system is not completely fool proof and accounts cannot be hacked, leading to the identification theft through stolen login credentials. In addition to this, Lack of Personal Relationships, Growing Customer Expectations, a Cultural Shift are some of the emerging challenges faced by the banking sector in recent times.

(Key words: COVID, Challenges, Digital Banking, Customer expectations)

Introduction:

Banking Sector, due to the advancement of technology, has undergone a significant transformation in digitalization of banking services and it has greatly impacted on the Indian population. The digital transformation has converted the traditional process into a digital-systematized process, giving rise to a new face to the banking sector. It has been witnessing a new customer demography that is greatly dependent on digital platforms. These are the early adopters of the internet and the banking sector has a great challenge to satisfy the demands of this generation. Since digital banking has enabled the users to access all banking services 24×7 without personally visiting to bank premises, it is certainly a great blessing to the digital banking users. It has benefited every part of the financial ecosystem – banks, financial institutions, users, governments, and businesses. Digital banking has become very popular due to the reason that digital software for banking has reduced the number of steps and also the people engaged in daily banking transactions, which in turn reduces the risk of costly financial errors. Digital banking offers variety of features to its customers examples- investing in stock markets or gold, cryptocurrencies etc., directly through the online banking apps. Digital Banking has led to better online experience. Though there are many benefits of digital banking services, there are many issues & key challenges which the banking marketers and should be aware of. The previous studies explored so many issues like security and technical issues, shortage of technological resources, forthcoming digital skill gap and challenges like shift in banking habits and products through innovation, lack of personal relationships, growing customer expectations, a cultural shift, hacking and so on. Despite digital banking sites and mobile apps have been designed to be secure and the banks have been setting up the updated security protocols regularly in place, no system is completely fool proof and accounts can be hacked, resulting in identity theft via stolen login credentials. Another

issue is health issue due to usage of some apps like face book. A University of Michigan study found that use of Facebook leads to a decrease in happiness and overall life satisfaction. Online payment systems are exposed to technical disturbances.

Objectives of the Study:

- 1) To study the Digital Banking Transformation in Indian Banking Sector.
- 2) To explore the emerging issues of Digital Banking in Indian Banking Sector.
- 3) To explore the emerging challenges of Digital Banking Indian banking sector

Research Methodology: The present study is purely descriptive in nature, based on secondary data. The data is collected from various sources like reports relating to digital banking published in banking sector, research papers, articles, journals, newspapers, internet, etc.

Historical Back ground of Digital Banking Transformation in Indian Banking Sector: Digital banking started taking its shape in India during the late 1990s. It paved the way for safer and faster financial transactions with its increased transparency and cost-efficiency. It is the automation of traditional banking services through a digital platform. There are many benefits from digital banking, not only for the user, but also for the banks. Banks offering services through digital banking do away with tedious paperwork like cheques, demand drafts, and pay slips. No doubt, the future of finance involves the future of finance, involves online banking services. However, it is only possible with the adoption and acceptance of digital banking as an alternative for traditional banking. Covid 19 was an eye opener for digital banking. This pandemic made the entire world more aware of the importance of contactless payment and digital banking when personal contact and physical visit had been restricted.

Emerging Issues of Digital Banking in Indian Banking Sector: While digital banking is unquestionably a blessing to the banking industry, it has certain risks that we should be aware of. COVID-19 has worsened the existing challenges of the traditional banking business model such as tight regulation, revenue pressure, and competition from digital entrants.

1. **Technology Stability and Flexibility Risk:** Adoption of untested or obsolete technology and choice of defective or inappropriate technology gives rise to technology risk. This risk mainly arises due to the usage of computer systems for the day-to-day conduct of the banking operations,
2. **Cyber threats:** Phishing attacks is the most frequent problem with cybersecurity in the banking sector. Phishing is attempting by attackers to misguide users to click on a bad link which leads to downloading of malware, or directing them to an unreliable website. This is used to enter into Banking network and conduct a more severe attack like APT (Advanced Persistent Threat), this will have a disastrous effect
3. **Information Security Risk:** Passwords, data encryption, network intrusion detection, network and host-based firewalls systems, access control lists, are the logical controls. Information Security risk refers to the damage that attacks against IT systems can cause. IT risk covers a wide range of potential events including data breaches, reputational damage regulatory enforcement actions, financial costs,
4. **Operational Risk:** The most common risk of digital banking is Operational risk or transactional risk. It involves Incorrect transaction processing. Mollifications in the integrity of data, data privacy, and confidentiality. The operational risk increases due to compromises in, data privacy, the integrity of data, and confidentiality.
5. **Regulatory Risk:** The risk of having the 'licence to operate' withdrawn by a regulator, or having conditions applied (retrospectively or prospectively) is a regulatory risk.
6. **Third-party Risk:** Third-party risk arises when banks outsource certain services or use software built by third parties to complete certain tasks experiencing an adverse event like operational disruption, data breach, reputational damage.
7. **Money Laundering Risk:** Digital banking is a digital service; thus, it frequently uses false accounts to launder illegal money. Today businesses are exposed to more risks due to change in money laundering in the digital age. Accessing and copying user credentials, developing counterfeit software, or crypto money laundering in digital banking are just a few of the activities that digital service providers are exposed to. Digital Banking customers are allowed to Log in with their digital profile information on a tablet, computer, or phone. Digital banking allows customers to continue their activities by logging in with their digital profile information on a tablet, computer, or phone. This system, however causes to financial criminals to conduct money laundering transactions without going to banks quickly. Banks must comply with KYC regulations and anti-money laundering regulations to limit fraud.

KYC is tool to control money laundering. It involves ID card verification, face verification, document verification such as utility bills as proof of address, and biometric verification

Challenges of Digital Banking in Indian Banking Sector:

The present study has explored the following digital banking challenges:

- 1. Understanding customer expectations:** One of the big challenges of digital banking is understanding customer expectations. They expect the digital banking services to be very secure, convenient, personalized, easy to use, they also expect High-quality customer service low fees security and fraud protection. accessibility positive brand reputation.
- 2. The inadequacy of IT employees:** Skilled workforce challenge plays a very crucial role in Banking sector. At present banking sector in India has been facing multi challenges such as strong competition, regulatory risks, technology upgradation, etc., The use of sophisticated ICT along with computer science to empowers the banks to offer better services to its customers in a reliable, secure, and affordable manner and withstand competitive advantage over other banks.
- 3. Increasing Competition:** There has been a severe competition in Banking Sector. Remarkable changes during the last few years in the financial sector have given rise to severe competition in the banking industry.
- 4. A Cultural Shift:** Cultural shift comprises renovating the entire culture of a bank, from the top down. The objective of cultural change in banking sector is to acclimatize behaviours and norms within the scope of the bank's core values, and to bring these in line with a new business strategy or direction. It originates from the experience of encountering innovative ways of doing things that encounter the basic belief that your way of doing things is the right way. Changing Business Models.
- 5. Customer Retention:** Customer retention is another big challenge for the banks. Banks need to attract and retain customers by understanding the customer's needs, building customer relationships, providing reliable both online and offline experience, providing related information.

Conclusion: Though there are many benefits of digital banking services, there are many issues & key challenges. India witnessed a dramatic rise in digital adoption during COVID 19 pandemic giving rise to a new dimension to the future of digital banking in India. The Digital banking challenges denote factors that prevent digital banking from stabilizing and becoming a universal banking method for everybody. Against the structuring of digital banking sites and mobile apps to be secure and setting up of the updated security protocols regularly in place, no system is completely fool proof and accounts can be hacked, resulting in identity theft through stolen login credentials. Digital transformation to be successful, core specialized competencies in arenas like cybersecurity, entity architecture, cloud, digital experience design and analytics, are very much necessary.

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