

Digital Banking – An Indian Perspective

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ABSTRACT

Digital Banking may be viewed as adoption of various existing and emerging technologies by the banks, in concert with associated changes in internal operations as well as external relationships for providing superior customer services and experiences effectively and efficiently. Today we find ourselves in a digital wonderland, where the milkman accepts wallet payment without a fuss, a man buys a geometry set worth about Rs 100 for his daughter using a credit card and the vegetable vendor uses QR code based “Scan & Pay” utility.

1. Introduction

Banks began using Information Technology initially with the introduction of standalone PCs and migrated to Local Area Network (LAN) connectivity. With further advancement, banks adopted the Core Banking platform. Thus branch banking changed to bank banking. Core Banking Solution (CBS) enabled banks to increase the comfort feature to the customers as a promising step towards enhancing customer convenience through anywhere and anytime banking. Different Core banking platforms such as Finacle designed by Infosys, Banks by TCS, FLEXCUBE by i-flex, gained popularity. The need for computerization was felt in the Indian banking sector in late 1980s, in order to improve the customer service, book-keeping and MIS reporting. In 1988, Reserve Bank of India set up a Committee on computerization in banks headed by Dr.C. Rangarajan.

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The new innovative digital technologies and futuristic thought processes have given birth to whole new businesses and social dimensions. Projects such as Make in India and Digital India are now the buzzwords to a bright and sustainable industrial and financial progress of our nation. As part of its impetus for DIGITAL TRANSFORMATION in India, Government also encourages technology adoption / up gradation while providing connectivity with high speed bandwidth to every nook and corner of the country.

This has exposed the full potential of the hitherto untapped market in India. Latest technology and service offerings in the new age Digital Payments space by the Banks, such as Unified Payments Infrastructure (UPI) including BHIM (Bharat Interface

for Money) which is a Mobile App developed by National Payments Corporation of India (NPCI), Bharat Bill Payment System (BPSS), mobile money, e-wallets, payment aggregation etc. have created a revolution by themselves.

2. Objectives of Digital Banking

- To study digitalization in India
- To examine importance of digital banking in India
- To study digital challenges in India
- To offer, useful and suitable suggestions to digital banking in India.

3. Importance of Digital Banking

Currently there are various technologies, infrastructure and processes available to enable banks to become super-efficient and dependable banks. Adaptation and implementation of highly capital intensive global technologies, infrastructure and processes are decisive in order to remain ahead of the curve. Transition and Interoperability related issues viz.

From traditional banking to state of the art digital banking such as data integrity, authentication (including third party authentication) and trust factors in a digital banking environment are gaining importance. Digital banking provides mission critical solutions to bankers for their short term and long term business and technological requirements. Today, aspects such as enhanced customer satisfaction and value through unified customer experiences, faster output, infinite banking volumes, financial inclusion, operational efficiencies, scale of economy etc. are being sought after, by leveraging digital banking and mobile technologies. Becoming a digital bank can improve efficiency and provide a better customer experience.

4. Customer Digitalization

Banks are now increasingly worrying about their very bastions being co-shared by a string of new age players. And the end-customer is the single largest beneficiary – with a bouquet of services and service providers to choose from and

along with hugely competitive pricing models. Banks will have to increase their operational efficiency and improve the customer experience by meeting the customers' expectations swiftly in order to keep their position in core markets.

The level of automation and digitalization of the account opening and on-boarding process has become very crucial. The most important aspect is to improve the ability for consumers to open any new account using digital channels and to efficiently onboard the new customer digitally. In this area, traditional banks still differ strikingly from the new market players who offer a convenient end-to-end online process.

It is the ability to leverage customer insight for improved information access. All new functionalities need to be part of the same digital banking application. Instead of having every piece of functionality, bank can dream up crammed into one big-honking mobile banking app. In the future, digital banking applications will be judged based on the fewer number of touches/clicks needed to get from one screen to another. Banks are forced set a goal to improve the individual customer experience.

5. Challenges of Digitalisation

Secure banking based on technology and its ramifications including cyber-crimes in today's digital banking landscape has to be reviewed continuously. The dark side of being digital i.e. cyber security risks are to be taken care and risk mitigation measures need to be strengthened. Advanced fraud detection mechanisms and the possibility to leverage personalized security preferences and alerts will have to become more widespread. For any security enhancement to be accepted and efficient will require that the user experience is not impacted. Banks should consider investigating and implementing additional layers of security that will reduce the potential for device and account level fraud. While ready to manage breaches, the goal should be to reduce the potential for losses and customer impact.

Use of advanced data analytics will help in combating several issues mentioned above. Adoption of technology and convincing the customers to opt for self-service modes of banking is the biggest challenge. In addition, consumers are becoming impatient with banks who offer irrelevant products/solutions without proper study of customer understanding. While new generation banks are performing better and better with contextual offers that are based on collected insights, consumers expect no less from traditional banks. Also the need to reduce costs and increase efficiency is assuming more significance than ever. In this regard, improving a bank's digital maturity

Ensures higher efficiency in its process, such as credit offering, improved interaction and customer experience.

Renewed skills development of workforce and investments into training and manpower development is the need of the hour. Customer segmentation is another aspect which will not only facilitate ease of interaction, but also enable targeted product placement, thus increasing the likelihood of further acceptance.

All the while, it is important to be conversant with the regulatory, security, technology and business challenges that await both – traditional banks as well as the latest entrants such as payment banks. Taking digital banking to the unbanked is another task, a social obligation. Achieving financial inclusion targets by innovative use of digital banking thereby promoting rural banking in a more comprehensive manner cannot be forgotten.

6. Suggestions

1. Banks should take necessary steps to create awareness among rural people about the advantages of e-banking / internet banking services available in the banks.
2. Though e-banking / internet banking is convenient and easy to use, customers are afraid of adopting these services because they think that using these "services are difficult and complicated". So, on-site training can be provided to the bank customers who intend to use e-banking / internet banking services.
3. The bank customers have perceived the risk of getting wrong information from e-banking / internet banking services. These illusions should be removed from the minds of the customers by bank people as these factors are the barriers for most of the customers for not adopting these services.
4. The e-banking / internet banking system should be enhanced to make the online enquiry and online payment much easier to the customers.

7. Conclusion

However with all these revolutionary new technologies, improvement in operational efficiencies in order to ultimately increase bottom lines and shareholder value will remain a challenge for all banks. Role of analytics and innovative revenue models need to be further fine-tuned. To reap maximum advantage in an increasingly digital society, it is imperative that banks must demonstrate superior performance in all spheres of customer service.