

Effects of Digital Banking on Indian Economy

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ARTICLE DETAILS

Article History

Published Online: 20 January 2019

Keywords

Effects, Digital Banking, Indian Economy, Descriptive and Causal research.

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ABSTRACT

The term bank was derived from Italian word BANKA or a French word BANQUE both mean a Bench or money exchange table. In past, European money lenders used to show coins of different countries on benches and tables for the purpose of lending and exchange. The time passed and evolution in the banking sector reached it towards the great height. Now the well-established financial system is managed by proper banking system and provides aid in transmitting flow of funds from surplus sector to the deficit sector. The system enrooted such a way that all the necessary transections are aided with banking channel and nothing wrong in that. Today due to digitisation in the banking industry the transactions became smoothened and become so quick that no hurdle is been experienced in payment and settlements. The present paper attempts to justify the effects of digitisation on banking in Indian economy.

1. Introduction

The Indian Government is now in action to insist the users on digital transactions. The launch of two prominent domains namely United Payments Interface (UPI) and Bharat Interface for Money (BHIM) has created vertical transformation in Indian financial system. This step was taken by National Payments Corporation of India (NPCI) to aid the Payment Systems in India. Instant funds transfer between accounts in different banks became possible and easier due to UPI. Due to digital banking application and acceptance now people can make settlements and payments on the basis of virtual address without mentioning the bank account number as well.

2. Literature Review

Ravikumar T, Suresha. B, Sriram. M, Rajesh. R (2019) analysed Impact of Digital Payments on Economic Growth: Evidence from India. Aim of the study is to measure and analyze the impact of digital payments on the economic growth of India. The study includes the period from 2008 till 2012. The study examines the causal relationship between digital payments and economic growth in India during the periods of 2011 to 2019. In this study, RTGS, Clearing Corporation of India Ltd (CCIL) operated systems, paper clearing, retail electronic clearing, Card payments, and Prepaid Payment Instruments (PPIs) are the proxies to measure digital payments in India. The economic growth of India has been measured using real GDP. A regression model was used to predict the relationship between digital payments and economic growth in India. It is found from the paper that Innovative technologies havebrought new paradigms in the global business. One of the most disturbed areas of the business by innovative technologies such as Artificial Intelligence, Blockchain, Machine learning, and Cloud computing is payment and settlements. In fact, the financial services sector has confronted with dramatic technological advancement and as a result, this sector has grown remarkably.

T.Selvakumar (2017) carried A study on role of e-banking in Indian economic growth. The objective of the study is to study the nature, growth and extent of electronic banking

services in the Indian banking sector, assess the impact of e-banking on service quality in banking sector in India and examine the impact of e-banking on the operations, payment and clearing system in banking sector. The data for the purpose of the study has been collected through secondary sources, which mainly include websites. The variables are the data of ATM, smart card, credit card, debit card, tele banking, and mobile banking. Graphical presentation Is used to project the data. It is concluded in the paper that Indian banks are trying to utilize the information technology for banking business and provide technology based banking products and services to their customers. Indian banks also trying to Univerlisation of banking products and services to one stop banking shop for customer delight, but comparatively, private and foreign banks existing in Indian economy are having a higher level of modernization and also providing numbers of modern services to their customers.

Nitin Bansa (2019) analysed Impact of Demonetization on Indian Banking Sector: A Step towards Governance. Objective of The Study is to analyze the impact of demonetization on the financial statements (balance sheet) of Scheduled commercial banks in India, to evaluate the impact of demonetization on currency in circulation and GDPratio. This research paper is based on secondary sources of data. The used data has been taken from authenticated sources such as books, journals, RBI website and relevant government websites. The research is descriptive in nature. The period of the study is from November 2016 to March 2017. Trend analysis is done to compare the variables under study. It is concluded that the demonetization of the currency (Rs. 500 and Rs. 1000 notes) on 8th November 2016 was one of the step taken by government of India. This study concluded that the step of demonetization improved the liquidity position of the scheduled commercial banks in India and banks invested the excess amount in various investment opportunities which helped the banking sector to increase their profitability position. Experts are of the opinion that demonetization has helped to reduce the circulation of black money to certain extent.

3. Hypothesis:

Ho: there is a significant impact of digital banking on Indian Economy.

H1: there is no significant impact of digital banking on Indian Economy.

4. Research Methodology

4.1 Research Design

The present study in the paper is purely based on descriptive and causal research designs. The data has been collected from the secondary sources available from the websites of RBI, and published journals.

4.2 Objective

1. To identify the pre and post digitisation scenario of Indian banking sector.
2. To analyse the effects of digitisation of banks on Indian economy.
3. To suggest limitations and significance of digital banking.

4.3 Sampling Design

In the present study the data from 2014-15 to 2018-19 has been taken in order to study the effects of digital banking on Indian economy. Especially the pre and post condition of Indian

banks due to digitisation has been indicated using the data from Hand book of statistics referred from Reserve Bank of India's website.

4.4 Statistical Techniques

Descriptive Analysis and Trend Analysis is used in this paper to evaluate digital system and its impact in Indian economy.

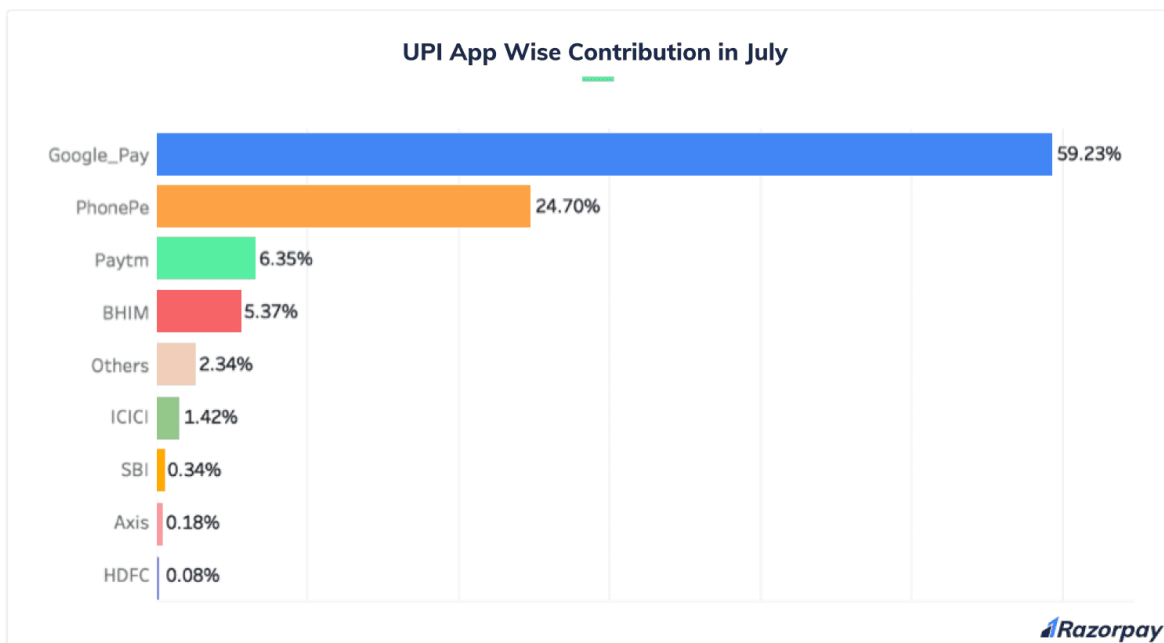
4.5 Data Analysis and Interpretation

Indian economy highly influenced by the financial revolution took place due to the digitisation of banking industry. There are numerous portals that had been launched in the last decade that has changed the definition of banking and altogether encouraged the users to make payments digitally.

So far the digital India is concerned the following portals need to be mentioned for their contribution in bringing changes in Indian economy. Whether they proved to be a boon or curse that will be discussed in this paper.

- > BHIM
- > Google pay
- > Paytm
- > PhonePe etc.

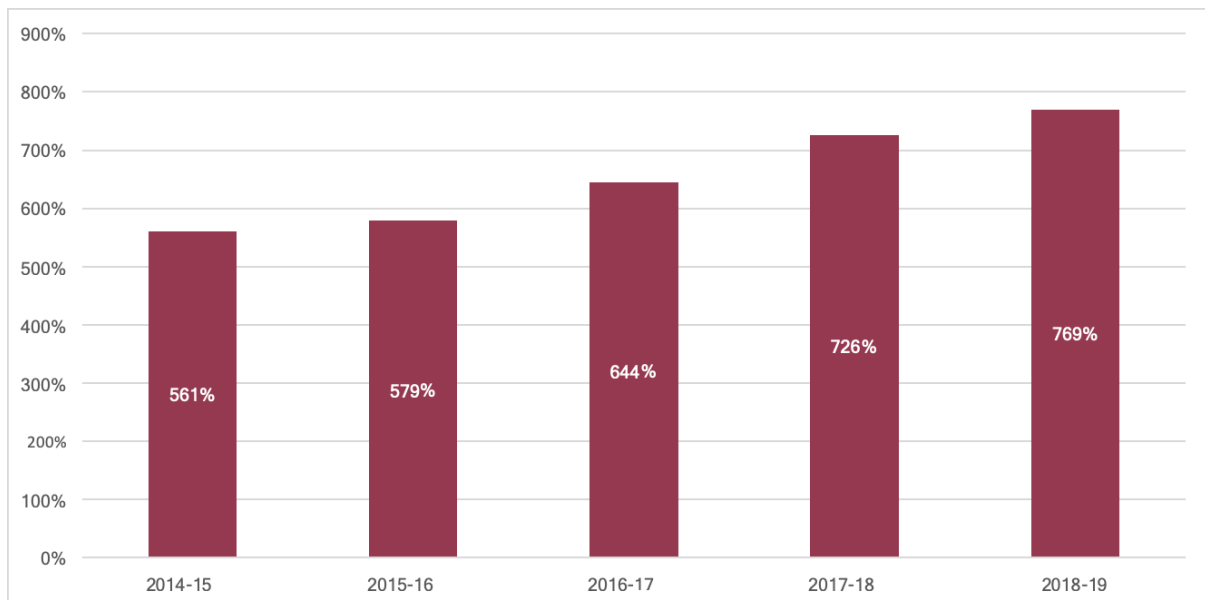
The following figure is of UPI app wise Contribution in July, 2019.



Source: <https://razorpay.com/blog/media/2019/08/app-wise-contribution.png>

Digital Payments as a percentage of GDP:

YEAR	Digital Payments as a percentage (%) of GDP
2014-15	561
2015-16	579
2016-17	644
2017-18	726
2018-19	769



source:<https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/CDDP03062019634B0EEF3F7144C3B65360B280E420AC.PDF>

The graph given above indicates the percentage of digital payments to GDP with respect to India. The figures are in percentage form and the duration under study is of five years i.e. starting from 2014-15 till 2018-19. No doubt, it is clear indication that we are heading towards digitisation. As the base year 2014-15 is concern, the percentage to GDP was 561% which caught the peak up to 579% within one year. The growth in digital payment within this year was 18%. The comparison

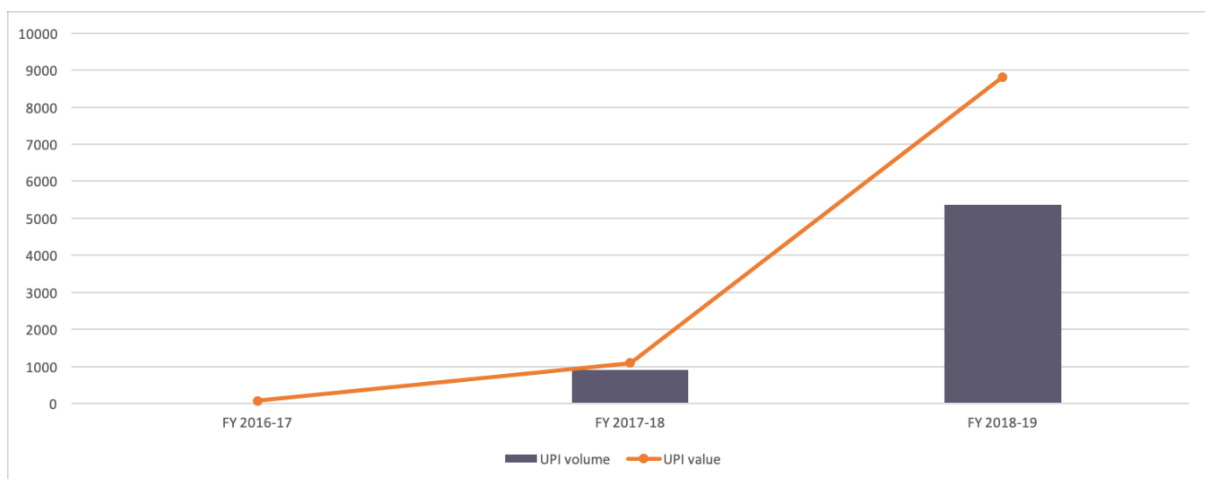
between 2015 and 2016 indicates the growth of 65%, this was gradual increase in digital payments. The followed by increase was of 82% in the year 2017-18. It is observed that the continuous peak is observed but the in between growth was 43% which was declined compared to previous year. That may be due to maximum utility reached in 2017 so far the digital payments are concerned.

BHIM UPI Platform Volume and Value:

Year	Volume	Value	Transaction Size
FY 2016-17	18	70	3.9 thousand
FY 2018-19	5353	8770	1.6 thousand

BHIM QR has accelerated to the great speed as well as low cost on transection to bring merchants into the acceptance of the network at maximum level. The vision of this committee

is to encourage to rapidly expanding the numbers of traders and users that can happily and easily accept the payments digitally.



source:<https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/CDDP03062019634B0EEF3F7144C3B65360B280E420AC.PDF>

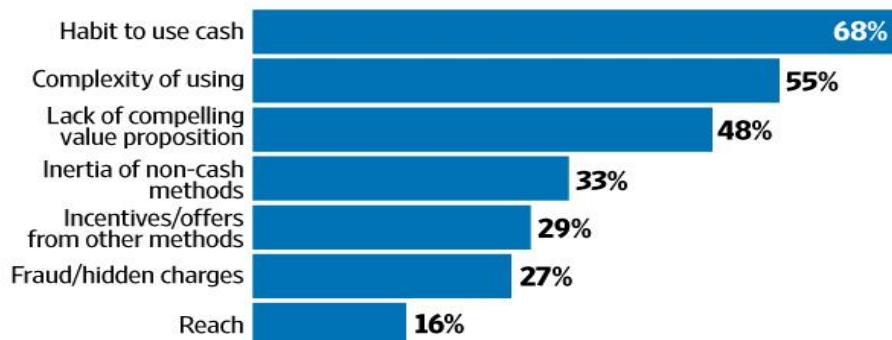
The BHIM Unified Payments Interface was launched in August 2016 and that is the reason the data has been collected from the year 2016 till 2018. As per the graphical presentation it's quite clear that the applicability of digital payment via BHIM UPI has also been increased considerably from both volume as

well as value perspective. This is also one of the indication of growth in digitisation I n banking sector.

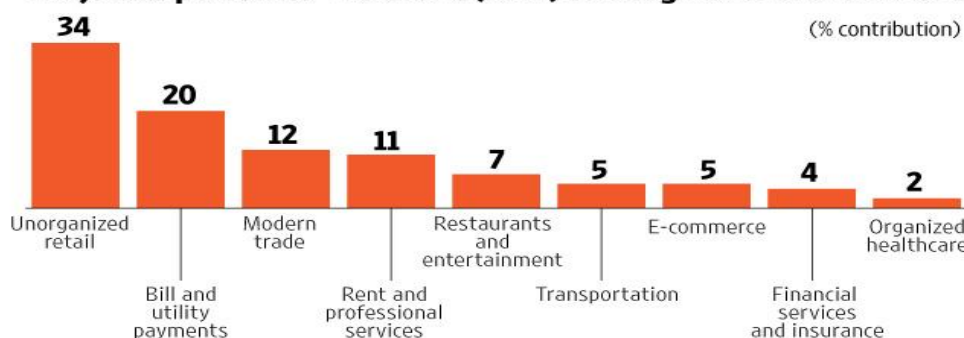
Every coin has two sides. It's time to critically evaluate the digital payment system in India with respect to various dimensions. The following chart indicates the key barrier to the

digital payment and the projected person to merchant (P2M) sub segment share in 2020.

KEY BARRIERS TO DIGITAL PAYMENTS



Projected person-to-merchant (P2M) sub segments share in 2020



Source: 'Digital Payments 2020', a BCG-Google report

Source: https://i1.wp.com/www.livemint.com/r/LiveMint/Period2/2016/07/26/Photos/Processed/g-payments_web.jpg

5. Conclusion

India is one of the largest economies in the world and second largely populated country after China. Digitally sound age group is always seen in youth, as the number of youth in India in present decade is at the maximum number it is quite obvious that India will definitely influence in digital payments. Ups and down is the part of any economy of the world but the growth and decline in it is subjective. Due to digital payment Indian financial system boosted no doubt in that and digital transactions increased year after year and reached to the peak in the year 2019. But still the percentage of population is there that is not used to with technology and refused to go digital. On

the other hand the some of them are having fear of fraud and cyber fraud and refused to digital payment. Number of digital transactions increased in the last decade on the other side the online fraud, cyber-crimes and frauds of digital offers made the great loss to the users. Still there is a hope that online transaction would be available with more securities steps to make banking transactions smooth as well as safe. Thus Indian economy is blessed with digital transactions but with some limitations discussed above there are some modifications need to be made to furnish a healthy digital web throughout the globe.

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