

DIGITAL TRANSFORMATION IN BANKING SECTOR

P.Jeevanandam, Assistant Professor and Head, Commerce with Computer Applications,
RVS Kumaran Arts and Science College, Dindigul

Dr.P.Suresh Babu Assistant Professor, Assistant Professor of Commerce

E-Mail id: jeevamphil@gmail.com, 9789636516, kpssureshbabu@gmail.com 9842686246

ABSTRACT

At present information technology is a very powerful and financial institutions are the backbone of the Indian economy. The Indian banking industry is in the midst of the revolution. The banking sector plays a significant role in the development of the Indian economy. Nowadays, banks provide faster efficient and convenient customer service and contribute to the overall growth and development of the country. Digital transformation is far beyond just moving from traditional banking to a digital world. It is a critical change in how banks and other financial institutions learn about interaction and to satisfy customers. Digital transformation looks different in every industry and every company. In general terms, it is the integration of digital technology in every area of business. Industry analysis gives a broad idea of industry in terms of its objectives, resources as inputs and functions, products & services as output. In this paper, we have studied various electronic payment systems practiced by the banking industry like card payments NEFT, RTGS, IMPS and UPI. At the same time, digital revolution also raises new challenges to the stability and the integrity of the financial system and the protection of consumers.

Keywords: Digitalization of banking, Banking industry and Technology & Services

INTRODUCTION

Nowadays, Banking is an important part of our lives. It is so much important that we cannot make our economic system stronger without it. The history of this advanced and technical Banks is also very interesting. Modern banks that we are using today are originally a contribution of the Europeans. Time has greatly influenced the working system of Banks. Starting from account book to computers, and then to smart phones, eventually reaching to the pockets of people. Net banking made the work of people a lot easier. People are also free from the fear of keeping cash with them. During the time of demonetization, lack of cash forced people to use mobile banking or digital payment which seemed to be a better choice for them. Our country is moving to a cashless economic system. Inspired by Government's mission Banks are also adapting safe and easy methods for costumers. The main steps of the digital banking process have focused mainly on adding to the existing offer the use of new

services enabled with technology to increase accessibility and value for customers. In this paper, the study focuses on the impact of digitalization on banking, which is a major concern with the payment services provided by the bank to its customers.

DIGITAL PAYMENTS SYSTEMS USED IN BANKING SERVICE:

Any kind of transfer of funds made by an individual through instruction or order to a bank to make Payment or credit the account by using electronic means is known as digital payments. It is monitored under the payment and settlement act.

NEFT: RBI has started a new payment system in November 2005 intending to provide a new online payment mechanism to the customers which are recognized as National Electronic Fund Transfer system. This facility is given to the customers in India having NEFT-enabled bank accounts. It helps to transfer funds between two on a one-to-one basis. But the condition is both the sender and receiver branches must be NEFT enabled. It is available on all days of the year and equal to real-time funds transfer to the beneficiary account by using the internet and mobile banking facility offered by the bank.

Debit Cards: It is a payment card by using this money will be directly deducted from a customer's account to pay for the purchases. So, it is one of the plastic payment systems that is linked to the customer checking account. It eliminates carrying physical checks to make purchases more directly. It has control over the usage of the amount available in the account and thereby protects the user from the default position. Some cards offer reward programs to the customers. There are three different types of debit card processing pin debit, signature debit, and contactless debit. These cards can be used for withdrawals and make payment for various purchases subject to a limit to the amount exist in the account. E.g.: online purchase, car rentals, hotel or airline reservations, etc.

Credit Cards: It is the most common mode of electronic payment system where customers can use the card for making various types of online as well as offline payments where banks will pay on behalf of the customer and within a given time customer need to make the payments. One of the benefits of using a credit card is customer can use the cash more than in the credit of his account. There are five key parties the buyer, the merchant, the acquirer, the issuer, and the network. Its primary role is to manage payment transactions such s operations and clearing. Visa & master cards are the largest global brands offer credit card which is accepted throughout the world. In ATM Most of the credit cards can be used to withdraw money, but charges will be levied on advances. Credit card online payment can be done through plain credit cards, encrypted credit cards, and third-party verification.

Unified payment interface (UPI): The Government of India in association with RBI and Indian Banks started a new payment model called a Unified payment interface. It is introduced by the national payments corporation of India (NPCI) to promote a cashless society and mobile banking. It made online transfer easier than compared to a digital wallet or debit/credit card. It performs multiple bank functions like fund transfer and merchant payments with the help of a mobile application. Using the UPI app, a user can add all bank accounts with the hassle of remembering or even typing banking user ID or passwords. The information required for UPI-based transactions are the virtual payment address of the recipient and mobile banking PIN so that funds can be transferred, and money can be collected. It is a real-time interbank payment that allows both receiving money & sending money. This can be done through UPI ID, mobile number, account no & IFSC, Aadhar based, or using QR code. Any UPI app can be used for transfer & payments of funds. Some of the UPI mobile applications are airtel thanks, BHIM, google pay, MI pay, jio pay, phone pay, amazon pay, WhatsApp pay, Samsung pay & so on. UPI2.0 was introduced in Aug 2018 which came with an added feature that the user can link their overdraft accounts to a UPI handle. The advanced version of IMPS is now known as the Unified payment interface.

Objectives of the study

- 1) To study effects of e-banking and challenges of digital Banking in India
- 2) The study is to analyze the implications of the digitalization exercise for banks and their customers.
- 3) To study the digital Banking new trends in India.

REVIEW OF LITERATURE

Dr. Rajeshwari m.shettar(2019) the article entitled “Digital Banking an Indian perspective”, the present paper focused on that benefits of digital banking that if the service charge in the bank is low due to digital banking, we can easily give higher interest rate to the customers in the deposit. Keeping a low operating cost will increase the bank's profit and reduce the bank's carrying cost. This will also help to overcome the crisis. The use of digital banking will reduce the operating cost of the bank.

K. Hema Divya and K. Suma Vally (2018) the article entitled “A Study on Digital Payments in India with Perspective of Consumer’s Adoption”. The present paper focuses on the analysis of the adoption level of the digital payment systems by customers. Primary data was collected from 183 respondents in Hyderabad. The collected data through questionnaire were analyzed by using chi-square technique. The study found that, the deployment of

technology for digital payments have improved the performance of banking sector and able to achieve the motive cash less country

Rathee, 2017 says that innovative technological transformation with the purpose includes the features like anytime anywhere banking, ultra-fast response time, the usage of digital channels by avoiding or bringing down the paper-based transactions has changed the face of Indian banks

Khandelwal, A.K. (2017) According to banks assume a huge job in our day- to-day lives. For endless individuals, in any event a solitary financial exchange is done in a solitary day. In this manner banks dependably endeavor to execute most recent technologies to improve customer experience. Digitization is definitely not a decision for banking industry, rather it is sure in light of the fact that each industry is being digitized and banking part is no exclusion.

RESEARCH METHODOLOGY

The quality of any research depends on the way and method of collecting data by adopting suitable research design and adopting appropriate statistical tools. The current study used both primary data and secondary data.

Primary Data

In order to satisfy the purpose of the study, a sample was chosen and a well-structured questionnaire was administered among samples. The questionnaire was ensured with the content validity on discussion with subject experts. The primary data was collected about 50 customers with the help of a structured questionnaire of Indian banking customers

Secondary Data

The data from secondary sources is collected through books, journals, reports, research studies, internet sources and records from the banking customer in Dindigul district.

Research Design

Descriptive research has been conducted for the study Impact of Digitalization on Indian Banking Sector customers in Dindigul district.

Sample Design

For the purpose of 50 Indian banking customers has been chosen for sample respondents using convenience sampling method.

Statistical tool

The statistical tools used for Simple percentage analysis

ANALYSIS AND INTERPRETATION

In this chapter the collected data from the sample respondents were properly tabulated and analyzed by using necessary statistical tools. The questionnaire the demographic profile of the customers like gender and age were taken for analysis purposes to get the result of the research work.

Table 1: Gender classification of the digital transformation Banking Customers

S.No	Gender	Respondents	Percent
1	Male	36	72
2	Female	14	28
	Total	50	100

Table 1 reveals that among the total of 50 customers, 72 percent of the customers are male and 28 percent of the customers are female. From the results it is concluded that the majority of the customers who respondents in the study are male.

Table 2: Age-wise classification of the digital transformation Banking Customers

S.No	Age	Respondents	Percent
1	Below 25 Years	24	48
2	26 -35 Years	21	42
3	36 – 45 years	3	06
4	45- 55 years	2	04
5	Above 55 Years	0	00
	Total	50	100

From table 2 it is come to understand that out of 50 digital transformation customers, 48 percent of the digital transformation customers are in the age group of Below 25 years, 42 percent of the digital transformation customers are in the age between 26- 35 years, 06 percent of the digital transformation customers are in the age between 36-45 years, 04 percent of the digital transformation customers are in the 45-55 years, while the remaining meager portion of the customers i.e. 0 percent of the customers are above 55 years.

Findings

- 1) It is concluded that the majority of the customers who respondents in the study are male.
- 2) It is concluded that the majority of the customers who below 25 years in the study are young generation customers

Suggestions

- 1) Workshop and seminar related to digital payments should be organized so that the common people and rural people can get maximum benefits of bank facilities.
- 2) Digital banking literacy programs should be run in rural and backward areas.
- 3) Customers feel that digital banking services lack security as the transactions made through internet are easily hacked by the so called techies who use their knowledge in a wrong way. Hence security system should be increased to avoid fraudulent activities.
- 4) The behavior of banking employees and officers should be collaborative so that customers can easily resolve any doubts.

Conclusion

Banks have recently prioritized Information Technology to improve customer service. Heavily investment has been trained and we are seeing good results. Even in the difficult situation of lockdown customers have done their banking related work through different modes of digital, its saving the time and money of customers. Digital banking has become more popular during the lockdown. Yet the banking sector is facing some challenges, like lack of networking facilities, poverty, economic backwardness and large population of the country are our big challenges. The initiative of the government by introducing Digital India & increased use of mobile and internet are the reasons for the fast-growing demand for digital Payment. Digital payments play a pivotal role in banking along with the economy as it is contributing to the GDP of the nation. But all these things can happen only through education and the so called younger and future generation who are technically sound.

Reference

- 1) A Journal of Composition Theory Volume XIII, Issue VII, JULY 202
- 2) An overview of the Banking industry. <https://www.investindia.gov.in/sector/bfsi-banking/overview> of banking. Accessed on 15/12/2020.
- 3) International Journal of Case Studies in Business, IT, and Education (IJCSBE), ISSN: 2581-6942, Vol. 5, No. 1, May 2021

- 4) Khandelwal A K, “Dare to Lead- The transformation of Bank of Baroda”, Sage Publications (2017), New Delhi
- 5) Zeichen journal Volume VI, Issue 9, 2020