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DIGITAL BANKING-AN OVERVIEW

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ABSTRACT

“Digital” is the new buzz word in the banking sector, with banks all around the globe shifting towards digitalization. Banks of all sizes and across all regions are making huge investments in digital initiatives in order to maintain a competitive edge and deliver the maximum to its customers. Additionally, digitalization leads to robust data analytics and intelligence, which helps banks get closer to customers and close in on competition. Digital banking is part of the broader context for the move to online banking, where banking services are delivered over the internet. The shift from traditional to digital banking has been gradual and remains ongoing, and is constituted by differing degrees of banking service digitization. Digital banking involves high levels of process automation and web-based services and may include APIs enabling cross-institutional service composition to deliver banking products and provide transactions. It provides the ability for users to access financial data through desktop, mobile and ATM services.

Keywords: Digital Banking, Digitization, Challenges, Overcome,

INTRODUCTION

Banking is an integral part of financial activity today and digital banking in India is highly advanced. Tracing its roots, the word Bank evolved from the Italian word ‘Banca’ which means ‘bench’. The merchants in the early middle ages would sit on benches where they would keep their coins for lending, exchanging, and so on. That is why the first bank, in the modern sense of the word, was established in Venice, Italy, in 1157 and was called the Bank of Venice. Then there are others who state that the banking system was in existence by about 2000 BC in ancient Assyria and Babylon. Chanakya in his Arthashastra of the second or third century CE alludes to powerful merchants who lent money and kept deposits.

The earliest forms of digital banking trace back to the advent of ATMs and cards launched in the 1960s. As the internet emerged in the 1980s with early broadband, digital networks began to connect retailers with suppliers and consumers to develop needs for early online catalogues and inventory software systems. By the 1990s the Internet emerged and online banking started becoming the norm. The improvement of broadband and ecommerce systems in the early 2000s led to what resembled the modern digital banking world today. The proliferation of smartphones through the next decade opened the door for transactions on the go beyond ATM machines. Over 60% of consumers now use their smartphones as the preferred method for digital banking.

The challenge for banks is now to facilitate demands that connect vendors with money through channels determined by the consumer. This dynamic shapes the basis of customer satisfaction, which can be nurtured with Customer Relationship Management (CRM) software.

Therefore, CRM must be integrated into a digital banking system, since it provides means for banks to directly communicate with their customers. There is a demand for end-to-end consistency and for services, optimized on convenience and user experience. The market provides cross platform front ends, enabling purchase decisions based on available technology such as mobile devices, with a desktop or Smart TV at home. In order for banks to meet consumer demands, they need to keep focusing on improving digital technology that provides agility, scalability and efficiency.

DIGITAL BANKING IN INDIA

Digital banking is also called internet banking or online banking. When a bank provides its services online and customers can make transactions, submit requests, and handle other banking activities online, it is called digital banking. The first bank in India to offer internet banking was the ICICI bank in 1996. Since then a number of other banks have followed suit and today most of the banks provide online banking facilities.

ROLE OF DIGITIZATION IN BANKING IN INDIA

Banks in India as a whole were very reluctant to adopt the changes brought about by technological advancement. A number of factors brought about the mechanization and digitization in banking industry in India. The putting in place standard cheque encoders was the first step forward in digital transformation in banking. Magnetic Ink Character Recognition (MICR) helps in the sorting and processing of cheques with each bank branch having an MICR code. The next step was more of a necessity than an innovation. Banking is a repetitive job, and therefore a labor intensive one where the worker is prone to making mistakes. In order to minimize errors and speed up the process, banks began using computer technology with standalone personal computers and then set up their own local area networks (LAN).

As the networks grew and banks began to connect together, Core Banking came into being. Centralized Online Real-time Exchange (CORE) banking thus allowed customers to perform financial transactions and access their account from any of the participating bank's branches. These services made it easier for customers to operate their accounts and slowly led to the coining of the phrase: 'Anytime, Anywhere Banking.' Then Automated Teller Machines (ATMs) arrived on the scene, and electronic fund transfers were made possible.

Online banking and Telebanking made their appearance in the 2000's and different modes of online fund transfers were instituted such as Real Time Gross Settlement (RTGS), Immediate Payment System (IMPS), National Electronics Fund Transfer (NEFT), and National Electronic Clearing Service (NECS). Recent years have seen the growth in mobile banking services and other innovative services online.

DIGITAL BANKING TRENDS IN INDIA

Digital India in the banking sector has grown sharply in recent times. Some trends in digital banking in India are:

1. Increase in Customers: The government's encouragement to use electronic wallets has contributed much to people adopting the use of technology in financial transactions. We see a rapid increase in the use of credit/debit cards as well as electronic wallets and the trend will continue.

2. Chatbots: A number of banks have already employed chatbots in their customer care operations. We will see a steady increase in the number of chatbots employed as well as improvements in their speed of response, quality of interaction and the quality of services rendered.

3. Merge Physical and Digital Process: Many banks today offer a mixed physical and digital process to their customers. The customers could walk into the bank and then use devices there to carry out their transactions. In the Indian context we will certainly see a steady increase in this kind of service especially in the rural areas.

4. Mobile Technology: The proliferation of mobile phones and the easy and cheap availability of internet has meant that the banking sector had to provide digital services via mobile phones. A number of banks have developed apps to help customers handle banking transactions on their mobile phones. This trend will only continue. We can look forward to additional features and services being provided, and the user experience being more streamlined.

5. End to End Digital Marketing: A number of customers are already using devices to handle their banking tasks. Banks have come to realize that digitization is the only way forward. Hence a number of banks have already started on the path of end to end digitization, in their effort to provide all kinds of services over the internet, resulting in paperless transactions.

CHALLENGES TO DIGITAL BANKING:

1. Attaining app perfection: There is an immense feeling of power and reassurance while accessing a smartphone application. Smartphones are more personal in nature, progressing to biometric verification, even for actions such as unlocking the screen. Taking this into account, developing applications related to a business becomes crucial in order to retain customers. With banking and financial applications increasingly offering the comfort and luxury of monitoring expenses at any time from any place, organizations that do not tap into this area will certainly lose out on many individuals that will deem the corporation outdated. However, most applications are often ridden with bugs and face severe performance issues. They remain difficult to navigate, at times, and frequently crash. This can be detrimental to the company's progress as it would represent poor quality.

2. Technology Upgrades: Five years ago, smartphones were only just becoming popular. Today, the functionality largely defines the device that is owned. Those who travel frequently on business depend on Apple and Android tablets, those who work as freelancers depend on high quality cameras and digital notebooks, while those who work the 9-to-5 routine prefer robust laptops and high-performance desktops. In addition, we have products like Amazon Echo thrown in the mix, for daily alerts and to perk up the overall lifestyle. Knowing which audience to target is only the half of it; understanding who would use what device under which circumstances is equally important. This means a serious amount of investment for banking and financial entities in digital capabilities and formulating effective digital strategies.

3. Cyber Crime: Most banking and financial applications are subject to cyber-attacks the most. The reason is obvious, what with money being the unquestionable objective. Fraudsters have been known to be innovative in their endeavors to siphon funds, either as large amounts in a gun-shot, or minuscule amounts from thousands of accounts, over a long period of time. If not money directly, there is always the threat of data being compromised.

4. Spearheading with Innovation: Spearheading the marketplace by offering innovative services is not just desired, but also required in order to stay ahead of the curve and attract a wide customer base. Especially with a large base of young users, it becomes important to distinguish your company in the ever-growing and competitive marketplace. However, companies are often hesitant to take the leap, as they are aware that things can horribly backfire and cause instant backlash from irate customers.

5.Sustainability: Post successful innovation and implementation, the next pressing challenge to tackle effectively is sustenance. An organization's sustainability as a leader is possible only through synergy. Only when the users acknowledge the value of the product or service will the organizational value skyrocket to success and remain there. In this context, the power of social media is often overlooked. While consistently good reviews uplift the organization to a better status, consistently bad reviews can destroy even an entire empire.

6.Delivering Quality at Speed: In the rush of wanting to deliver products and services at an accelerated speed, companies often tend to compromise on the quality. The issue with quality is that there is no such thing as a small bug; a bug is a bug. There have been several instances of organizations knowingly turning a blind-eye to defects in products and software even before the item hit the market.

WAYS TO OVERCOME:

1. Quality Assurance professionals are trained to inspect, assess, and assure the quality of the software. They become involved in the process early on in the software lifecycle and ensure that applications are delivered with premium quality. In the case of a performance issue despite the rigorous testing, they will be able to tend immediately to the problem and fix the bugs instantly.

2. Software testing plays a key role in ensuring device compatibility with the software, and makes the entity more user-friendly. This invariably leads to more breathing room for exploring the devices that will be able to carry the company's customized software better. This typically saves the corporation millions of dollars and organizations can, subsequently, spend their efforts on figuring out an apt digital strategy.

3. Security testing will sniff out the possible points of vulnerabilities that hackers may take advantage of, and offer the appropriate solution. Security testing demands a thorough understanding of the banking system and offers an in-depth knowledge of the internal architecture. Quality Assurance professionals that have expertise over the banking domain are the ones that would best tackle cyber-crime.

4. Software testing can ensure that all the major bugs are tackled as they rise, and thorough analysis is conducted in order to have preventive measures. This will give innovative companies in their respective industries a boost, so that they can continue to explore how to better delight their customer-base.

5. Understanding and leveraging the power of social media, while necessary, can be ridden with issues. Trolls, malwares, and tweets about performance issues can all wreak havoc if not effectively and immediately managed. Software testing personnel can spot real problems and immediately fix the issues, thereby containing the issue. This greatly helps sustain brand image in the long-run.

6. Robust software testing ensures that the product or software hits the market well in time. By closely analyzing possible software issues right from the requirements gathering stage, quality assurance experts ensure time to market.

CONCLUSION

Technologically India is a very progressive country. We do not only adopt new technology but are constantly innovating; we are at the cutting edge of technology. Therefore the future of digital banking in India is very bright and we can look forward to new innovations and services from the banking sector. Digital banking should not be looked at just as a technological advancement. Neither is it a customer service initiative. It is a revolution in how the banking industry functions and the services it renders. The role of digitization of banking in India that began in the 1980's has certainly come a long way. However there is still a long way to go in the

digitization in banking industry and a number of hurdles to cross before we are able to ensure end to end digital banking in India

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