

A Critical Evaluation of Digital Banking in India

Dr. Dinesh Pratap Singh*

Department of Business Administration, Bareilly College, Bareilly, Uttar Pradesh, India

*Corresponding Author: Dr. Dinesh Pratap Singh

Received: 23-07-2024

Revised: 09-08-2024

Accepted: 30-08-2024

ABSTRACT

As we known banking is the business activity of accepting and safeguarding money owned by other individuals and entities, and then lending out this money in order to earn a profit. There are different types of banking system adopted in Indian banking like: retail banking, corporate banking, investment banking, private banking, digital banking etc. Here we focus on digital banking where as we are used technology in banking sector. Online banking and mobile banking services are main example of digital banking in India. Digital banking refers to the provision of banking services through digital channels such as: online banking, mobile banking apps, social media, SMS and USSD, digital wallets etc.

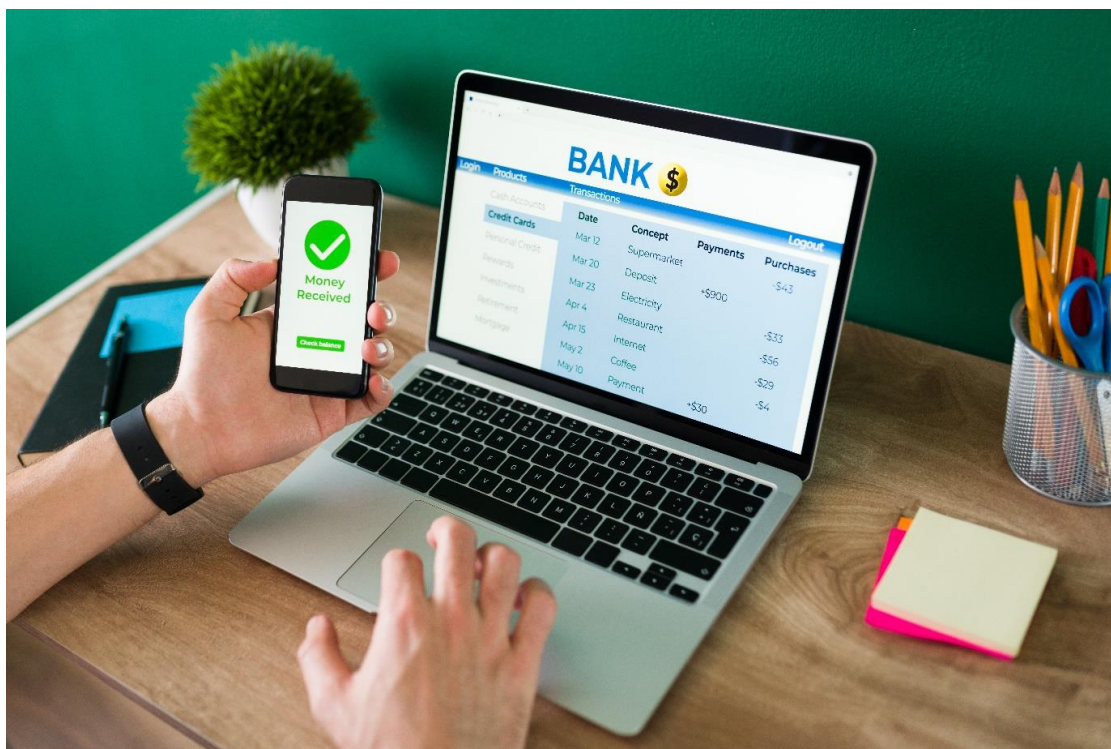
Keywords: online banking, mobile banking apps, digital wallets

I. INTRODUCTION

Digital banking in India can be traced back to the 1990s, when Indian government and Reserve Bank of India (RBI) initiated steps to automate banking processes and improve efficiency.



Key milestones of present modules of digital banking in India are as: Reserve Bank of India launches the National Electronic Fund Transfer (NEFT) system in the year of 2001, after above milestone introduced Real-Time Gross Settlement (RTGS) system in year 2004, after that RBI launched the National Payment Corporation of India (NPCI) in year 2008, and then RBI introduced Immediate Payment Service (IMPS) in year 2010, after that RBI launch the National Mobile Payment System in the year 2012, after that launching RBI grants licenses to new private sector banks and payments banks in year 2014, and then RBI launch a Unified Payments Interface (UPI) in year 2015.



After the demonetization drives digital payments adoption in year 2016, after that launch Bharat Interface for Money (BHIM) app in year 2017, and then RBI introduced the Ombudsman Scheme for Digital Transactions in the year of 2018. So, we can say that digital banking in India reflects a gradual shift towards automation, digitalization and innovation driven by government initiatives, technological advancements and changing consumer preferences in future prospects.

II. LITERATURE REVIEW

In this study I have read various books of research like C.R. Khotari etc. and lots of newspapers like Times of India, Hindustan Times, Amar Ujala, Danik Jagran and magazine India Today and various RBI and others reports in several years, and published journals for several authors.

III. METHODOLOGY

During this research I have adopted case study methodology for collecting the data for that work. I have study lots of printed materials as well as online material which are related to digital banking in India, after that I have written this paper.

IV. FINDINGS

Digital banking adoption on the rise in current banking scenario and increasing uses of mobile wallets and UPI by the customer. Growing focus on financial inclusion and literacy with the customer. Ever one is aware ongoing innovations in digital payments and banking services. Here are some findings of my study:

- Digital banking adoption is increasing, especially among younger, urban, and educated individuals.
- Convenience, accessibility, and time-saving are key drivers of digital banking adoption.
- Security concerns are lack of awareness are significant barriers to adoption.
- Digital banking has the potential to enhance financial inclusion, especially for underserved population.
- Banking needs to invest in robust security measures and risks management frameworks to protect customers.
- Government initiatives, such as Digital India and India Stack, and have promoted digital banking growth.
- User experience and quality of digital banking services vary across banks, with some offering more comprehensive and user-friendly services.



The growth drivers of digital banking are increasing internet and mobile penetration, growing demand for convenient and secure transactions, government support and initiatives, entry of fintech companies and payment banks.

V. DISCUSSION

Digital banking is a banking, based on technological advancement in Indian banking scenario. It is totally depending upon latest technology. Digital banking in India has transformed the banking sector, bringing about significant changes in the way banks operate and customers interact with them. Here are some banking conditions after introducing digital banking in Indian banking sector:



1. Digital adoption increased: More of the customers are switching to digital channels like mobile banking, internet banking and digital payments.
2. Accessibility improved: Digital banking has expanded reach, especially in rural areas through mobile banking and digital literacy initiatives.
3. Enhanced customer experience: Personalized services, real-time transaction and 24/7 banking have raised customer expectations.
4. Changing business models: Banks are adopting digital first strategies, investing in technology and exploring new revenue streams.
5. Focus on cybersecurity: With digital banking, security concerns have grown, leading to investments in robust cybersecurity measures.
6. Shift to paperless and cashless transactions: Digital banking has reduced the need for physical branches, paper-based documentation and cash transactions.
7. Inclusive banking: Digital banking has enabled greater financial inclusion with initiatives like Aadhaar-enabled payments and digital literacy programs.
8. Rise of fintech and neobanks: New players have entered the market, offered innovative digital only banking services and competed with traditional banks.
9. Regulatory support: The Reserve Bank of India (RBI) has introduced supportive regulations and initiatives such as the Unified Payments Interface (UPI) and digital lending guidelines.
10. Growing demand for digital skills: Banks are upskilling employee to adapt to digital banking requirements.



Here are some research gaps for further studies:

- Limited studies on digital banking adoption among rural and underserved population.
- Need for more research on digital banking on traditional banking channel.
- Few studies have examined the role of fintech companies in digital banking ecosystem.
- Limited research on the effectiveness of government initiatives in promoting digital banking.

VI. CONCLUSION

I want to conclude my study digital banking adoption is increasing, especially among younger, urban, and educated individuals. Convenience, accessibility, and time-saving are key drivers of digital banking adoption to the customer. It is very important for security concerns are lack of awareness are significant barriers to adoption. We can say that digital banking has the potential to enhance financial inclusion, especially for underserved population. Banking needs to invest in robust security measures and risks management frameworks to protect customers. And last but not least Government initiatives, such as Digital India and India Stack, and have promoted digital banking growth. User experience and quality of digital banking services vary across banks, with some offering more comprehensive and user-friendly services.



Overall digital banking has transformed the Indian banking sector, bringing about increased efficiency, convenience and accessibility. However, it also presents challenges like cybersecurity risks, regulatory compliance and the need for digital literacy.

REFERENCES

1. Reserve Bank of India (RBI). *Reports on digital banking in past several years.*
2. National Payments Corporation of India (NPCI). *Reports on digital payments.*
3. *Government of India reposts on digital India Initiatives.*
4. *Online digital banking report.*
5. *Online FinTech news.*
6. *Digital banking: Opportunities and challenges.* McKinsey & Company.
7. *Digital banking and financial inclusion in India.* Reserve Bank of India.
8. *The state of digital banking.* Forrester Research.
9. Thomas P. Vartanian. *Digital banking: A global perspective.*
10. Chris Skinner. *The digital bank: A blueprint for digital transformation.*
11. Freepik.com.
12. Google.com.
13. *Books of research methodology.* C.R. Khotari and lots of Newspapers Like: Times of India, Hindustan Times, Amar Ujala, Danik Jagran and Magazine India Today etc.