

# Acceleration Of Digital Banking in India

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## Abstract

Post Independence of India in 1947, Digital Banking in India was straggled behind many developing nations. The major reasons behind this was increased use of legacy systems, huge costs of running branches, and outmoded technology that could not be upgraded. Since then, India witnessed gradual yet strong growth in Digital banking. Digital banking involves the digitalization of all established banking products, processes, and activities to provide services to the customers using online channels. With the help of digital banking, any bank branch services are available and approachable 24/7 on mobiles, computers, and appropriate smart devices. In this article Researcher have reviewed the digital banking scenario in India and recent developments and upcoming schemes related to digital banking in India.

**Keywords:** Types (Internet Banking, Mobile Banking), Evolution of Digitalization, RBI Initiatives, Forthcoming schemes.

## Introduction

Digital banking or E-Banking or Internet Banking means the digital conversion of the traditional banking activities and services that were earlier only available when customers visited the bank branch in person. Banking means any business activity of protecting money and accepting by individuals or firms to lend the money to earn revenue and profit. Initially banks were playing role of money lender that is to accept money and lend them in the form of loans. However, as the time passes, there activities have been diversified and widened and other than lending and accepting money now banks are providing various other services as well. The banking services now a days include issuance of debit and credit cards, providing safe custody of valuable items, lockers, ATM services and online transfer of funds across the country / world by using SWIFT. Digital banking is simply a banking in your hand and the banking services can be accessed through smart phones, laptops, etc. Now a days through the digital mode or digital platforms all banking functions are easily done anywhere and at any time. Digital banking is also known as the paperless banking where one can use software and online platforms for their day to day banking services. With the usage of digital banking the use of paper is reduced and all the banking functions are done through digital Platforms. Digital banking is not only limited up to credit card, debit card and ATMs but it also includes payment to merchants through online, digital statement, cashless money, UPI transactions, NEFT, RTGS, Online payment of bills, recharge online, trade services etc.

**Digital Banking can be classified in two category:**

Digital  
Banking



### **Internet Banking-**

Internet banking or online banking. means any banking transaction that can be done online that can be done online with the help of internet i.e. Bank's website using Desktop or Laptop. Through internet banking, ALL those activities OR transactions which were traditionally offered by physical branches of bank are now done digitally without going to branch physically.

Online banking has the following characteristics:

- Banking transactions are conducted over the internet through a bank's secure websites.
- Internet banking or Online Banking deals with everyday essentials banking work such as checking balances, reviewing transactions, and transferring funds etc.
- The bank may have physical branch locations but internet banking doesn't require any particular location it can access anytime and anywhere and 24\*7 services.
- The user must register with the financial institution online through internet banking and create a login ID and password to use internet banking.

### **Mobile Banking-**

Mobile banking allows you to perform many of the same activities as online banking using a smart phone or tablet instead of a desktop or laptop. However, using only the website of bank is not the only method of using digital banking. One can download Bank's mobile app on the mobile thorough Play store or app store and can easily access the Banking service anytime and anywhere.

Mobile banking can be use in the following ways:

- Using Bank's website by logging into it..
- Using digital app or mobile app of Banking.
- Using Text message banking like SMS.
- Mobile Banking have some applications which have money wallets and these Mobile wallets store bank account and card credentials to easily add money to the wallet and used to do payments to other merchants with same applications and also this wallet money can be used for online shopping websites. Some examples of money wallet apps are: Paytm, Amazon, Mobikwik etc.

### **Objective:**

The objective to present this article is to discuss the evolution and process of Digital banking, specially in India, so that people can understand about the digital banking and its evolution and journey and benefits.

**Acceleration of Digital Banking in India:**

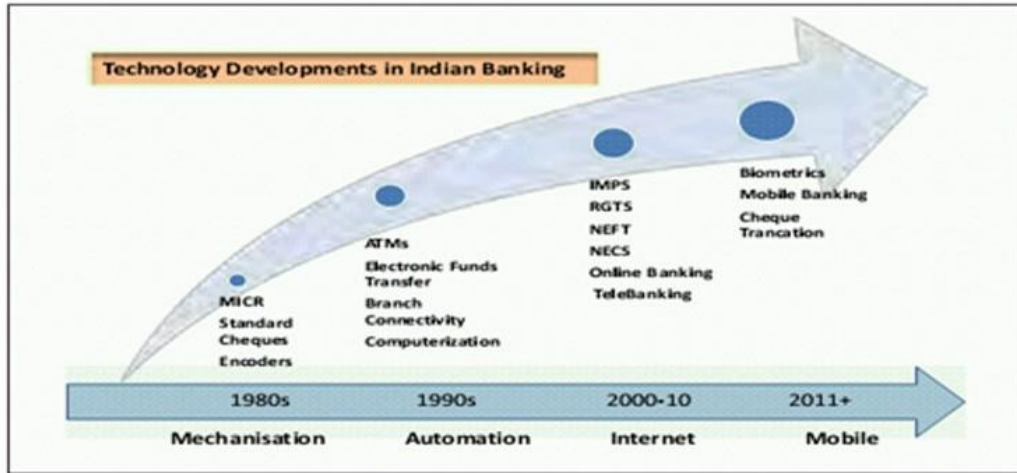


Figure:1 Technology Development in Indian Banking



Figure:2 Trends in Mobile Banking

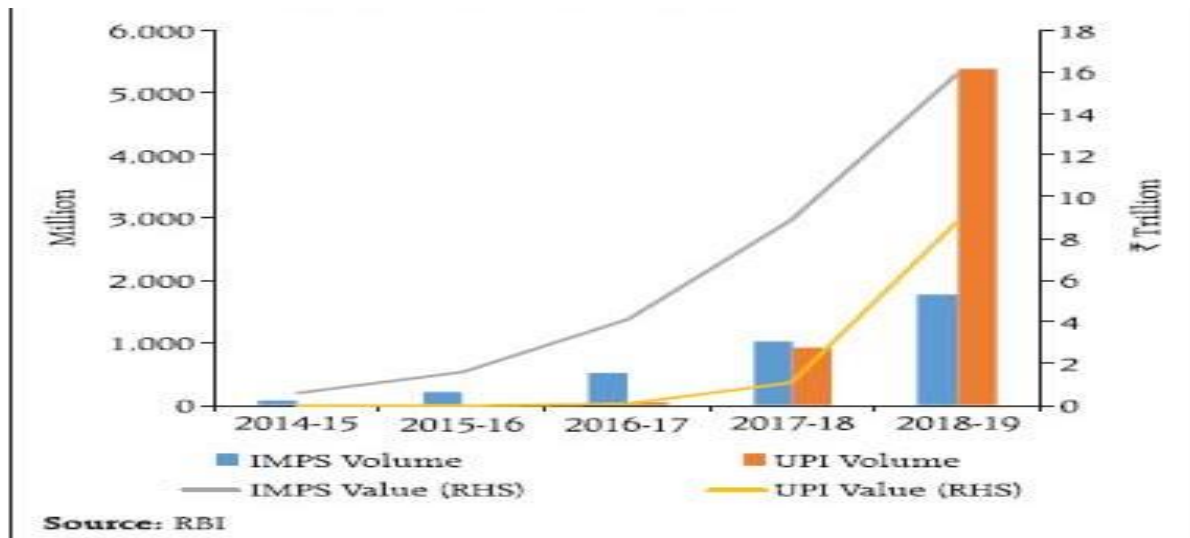


Figure:3 Trends in IMPS and UPI



Source: RBI Data

Figure:4 Acceleration of Digital Payments

**The need for digital banking first recognized in India:**

The need for digitalization of the banking sector was felt in the late 1980s.

In 1988, the Reserve Bank of India has decided to set up a committee which was headed by Dr. C. Rangarajan.

Initially Banks started using information technology with the introduction of standalone Personal Computers by using Local Area Network connectivity. Then after sometime, the further evolution was done by banks was to adopt the core banking platform. It was the era when branch banking was changed to core bank banking.

The advantage of adopting Core banking solution by the banks was to give the comfort to the customers. This improves customer convenience and it was a most important and assuring step towards improving customer satisfaction and service through the so-called “Anywhere and Anytime Banking.”

Thereafter, the process of digitalization kicked up with the opening of the economy in the early 90s. A major reason behind this transformation was due to the heavy and rising competition from private and

foreign banks. The digital banking was then used by Many commercial banks to provide the customer service and to survive in this competitive market where foreign banks were already giving great customer services through digital banking.

In India, digital banking started showing its existence in the late 1990s with ICICI Bank. ICICI Bank was the first bank to introduce the digital banking services to their retail customers. In 1999, the internet charges was reduced and the customers started building trust and respect towards digital banking.

It was then the internet services were further developed and the main hurdle for the banks was the cost which was then came down and banks started sharing a big market and its products online.

### **Various steps taken by Indian Government forthe growth of Digital Banking in India**

In India, the government started taking various steps to promote the digital banking.

(PMJDY) PRADHAN MANTRI JAN-DHAN YOJANA is a financial inclusion of the Indian government open to citizens of India. It was launched in 2014 and was a successful Yojana. The success of PMJDY was reflected in terms of opening of over 46 Crore bank accounts with deposit balance of Rs. 1.74 Lakh Crorewih its expanded coverage to 67% rural or semi-urban areas as well as 56% of women were having their JhanDhan accounts.

The IFC estimated that there is a credit gap in the nation for MSMEs to be INR 25 lakh crores and growing in 2019. Meanwhile, the retail side credit to GDP ratio was also very low (compared to economies of the size of India).

Due to this gap, there was a need to take a step to fulfill the needs of this segment and to make them financially strong so that this credit gap can be filled.

This was then NITI Aayog with the help of the Department of Financial Services had released a report in draft form which it investigate the credit gap that is currently unserved and the risk involved to license the MSME under Banking Regulation Act.

This draft version involves a Discussion Paper in November 2021 in which 24 organizations have presented their comments. The suggestions and responses were received in a discussion on the Paper that was held and organized on 25 Feb, 2022.

A final report was then released as a policy after analyzing all the comments and recommendations received NITI Aayog. At last, India has become as balefire for all the nations globally with the establishment of Aadhar and UPI that has stimulated the payment revolution in the country.

Since all the banks were now become digital this has led the INDIA to make its position stronger in the global market.

The Digital Bank licensing and regulatory framework proposed by NITI Aayog in this Report was a very strong and bold initiative towards the future of digitalization in INDIA.

In 2016, UPI system was launched in India which allows the customers to easily transfer their money from bank account to any account. The UPI system brought a drastic change in the digital revolution in India and launched “Mobile Banking”

Due to UPI, now anyone can open a account in the bank and can easily access the digital banking via Mobile Phone. Prior to 2016 when UPI was no there, the people were not able to access the digital banking as the system was not on mobile phone at that time.

A good initiative was taken by the government of India of linking their Bank accounts with the Aadhar Number to make sure that the person who is accessing the bank account is the owner of the account. An

individual now can open a bank account in India with the help of E-banking without even physically visiting to branch of the bank.

### **Current Scenario and forthcoming schemes of India in the setting up of digital system:**

The Indian government has taken steps towards helping and stimulating the digital banking. The most important steps taken by the government towards setting up of digital banking is introducing BHIM and UPI with the help of National Payment Corporation of India.

In today's competitive era, banks are making ensure to provide their best and elite services to their customers so the customers can get satisfied and can enjoy a good experience of banking.

One of the most crucial and important objective of each and every bank in India is now Digital Banking. As per RBI report 2016-17, there are more than 2 lakh ATMs and more than 25 lakhs Point of Sale (POS) devices.

With the help of electronic payments systems like National Electronic Fund Transfer, Real Time Gross Settlement, Cheque Truncation System, Mobile banking system people now can easily transfer their money anytime and anywhere.

The Reserve Bank of India has decided to set up 75 banking units which will be fully digitalized as per the reports. As per the Indian Bank Association, each and every sector of banks are included in this in which all the PSU's, 10 private banks and one small finance bank will get operational by July 2022 which will operate digitally

During the second half of 2022, there will be a linkage of UPI with the Paynow, a Singapore's payment system that is going to be operate in the banks. This is going to enable all the banking users to instantly transfer their funds without any formalities and there is no need of getting on board on the other payment interface, The central bank has recently committed that it will introduce to implement and execute the geo-tagging framework, which is ultimately going to provide the locations of all payment touch points. The banks and other entities which are involved in the payment system can easily monitor the location of their payment touch points across all the locations.

RBI will announce a document I.e. "Formulation and Release of Payment System Vision 2025" with a long term vision for making the payment system a ecosystem. A robotic process automation solution will be implemented by the RBI for making all the routine tasks automated. The central bank will be going to update and upgrade E-Kuber that will be fully based on the latest technologies with more broader flexibility and stability.

### **Establishment of Digital Banking Units (DBUs)-**

How Digital Banking Units (DBUs) came into existence:

In current scenario, the topic digital banking has gained popularity as it has become a preferable service of banks by the people of the country. The central bank has been continuously taken important steps and actions to improve the infrastructure and to make available the digital services to almost every area of the country. The most and vital effort has been taken by the RBI is to introduce 'Digital Banking units' to wider the reach of digital banking services in the country. As per the guidelines announced in Union budget 2022-23, that DBU will be setting up by the commercial banks which is on the basis of the

suggestions given by Working Group which was formed by the central bank. This working group includes representatives from the banks as well as members of Indian Bank's Association. These are some of the upcoming and current status of digitalization by Indian government to promote digital banking in India.

### Conclusion:

In today's competitive world, Digital Banking has become a very essential banking service and many steps has been taken by central bank of India for encouraging this to all over the country. Digital banking enable the people to transfer funds easily anywhere and anytime. This has led to continuously usage of digital banking. Through digitization, India is able to make its position stronger in the global market. All the major steps that has taken by the Indian government has been successful in implementing digital banking. The UPI system has been beneficial for bringing the revolution in Mobile Banking.

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