

The Past, Present and the Prospective Future of Digital Banking Myth and Realty.

Dr. Maheshwari. P

Professor, Department of Business Management Kasturba Gandhi College for Women

Abstract:

Digital banking was the need of the hour during pandemic period. The global COVID – 19 health crisis and the government actions such as lockdowns restricting economic activities increased the need for contactless financial products and services, accelerating the shift to digital finance in many economies. India's situation was not any different. The present study focuses on the past of digital banking (looking back into the evolution of digital banking), present (usage of digital banking during pandemic period) and the future of digital banking (data collected through primary source). Long queues near ATMs and unfortunately some people lost their lives standing in the queues for their turn. Those were the days when people initially rejected the concept of digital transactions.

Keywords: Digital Banking, Physical Banking, Mobile Banking.

Evolution of digital banking:

Money has always been an important part in the lives of the people. It is used as a medium of exchange. If looked back into the evolution of money, it can be of three phases - before the introduction of paper money, introduction of paper money and after the introduction of paper money.

The first phase was when commodity money was in use. That is commodities were exchanged for commodities, which was termed as Barter Exchange System. This system came to an end due to the draw backs such as indivisibility of certain goods, lack of common measure of value, difficulties in storing goods, etc., This system was substituted by a single commodity Gold. Gold coins were used as medium of exchange as they had intrinsic value and were also used for other purposes especially in jewellery. Gold standard was stopped due to hoarding during the worldwide economic crisis of the great depression. Metallic money whose face value was greater than the intrinsic value was introduced, but this was also not away from drawbacks. They were heavy and not easy to transport huge sums. Moreover there were countries who had limited amounts of metal resources. This draw back was lifted by introduction of paper money.

The second phase of the evolution of money started with the introduction of paper money. Paper money or currency was issued under the certification of government. This is called as Fiat money (both metal coins and paper money). Most countries in the world today follow Fiat money. They are issued and managed by central banks of the respective countries ("the evolution of money", Susanne Konig, July 6th 2001, from commodity money to E- Money). Exchange of paper money for huge transactions was a bit difficult task, therefore there was a development in the payment technology, and cheques were invented. By these cheques the monetary value of the transactions were either debited or credited to the bank accounts of the respective parties to the transactions.

In continuation with the development in the payment technology the third phase of evolution of money

started. Due to the rapid development in the field of electronics, computer technology and internet, new advances in the payment system took place. NEFT (National Electronic Fund Transfer), Credit cards, Debit cards are some of the electronic payment instruments. This system further paved way for digital money. As the time passed, money has taken various forms right from commodity money to Fiat money and further to virtual money.

Types of banking

Introduction of digital money paved way for digital banking. Now we have two versions of banking

1. Physical banking
2. Digital banking

Physical Banking: In this, the customer needs to go to bank physically for bank transactions such as depositing money or for withdrawal of money. If we withdraw cash through cheque it is physical banking.

Digital Banking: In this, a customer need not to go to bank physically for bank transactions. These transactions are performed through electronic form. Banking transactions are carried through net or mobile. If we withdraw cash through ATM, it is Digital Banking.

Need of Digital Banking: the need of the hour during pandemic period was digital banking. It has come as a blessing in disguise. The other advantages of it are as follows.

- In case of physical banking, services are provided only for a limited period in a day. With the inception of global business and Forex market there was a need for round the clock banking services which is served by Digital Banking.
- With the expansion of e-commerce services, the need of Digital Banking has become an important channel for settling the payments.
- Under Digital Banking, the remittance is quicker, people are able to pay or get the money within couple of minutes.
- Also helps in cashless transactions with products like RTGS, NEFT and ECS.

The present of Digital Banking (with respect to covid period):

Usage of Digital Banking in India

To identify the usage of Digital Banking in India:

To check the usage rate of digital banking in India, SBI and ICICI banks have been selected as these are the banks listed as top turnover banks. SBI is the one selected from public sector commercial banks and the later from private commercial banks. The data is collected for three years from 2019 to 2021.

To make comparative investigation of the usage of Digital Banking before and during pandemic period.

Table 1: Number of ATMs setup by SBI bank. Data on PoS, Micro ATMs and Bharat QR

SBI: ATM, PoS, Micro ATMs, Bharat QR Statistics for the last three years						
Year	ATMs		PoS		Micro ATMs	Bharat QR
	On-site	Off-site	On-line	Off-line		
	1	2	3	4	5	6
2021	25859	37696	745933	0	46314	453238

2020	25622	32915	663408	0	Nil	Nil
2019	25583	32885	580765	0	Nil	Nil

Source: RBI

Table 1 shows the number of ATMs provided by SBI during this three year period. On-site ATMs number increased from 25583 to 25859 leading to a change of 1 percent. Off-site ATMs number also improved from 32885 to 37696, 14 percent change can be noticed.

PoS has surged from 580765 to 745933, a difference of 165168 has taken place reaching to 28 percent increase. A PoS is a place where a customer executes the payment for goods or services and where sales tax is paid. It can be executed offline or online. A 28 percent change shows that cloud based PoS system is becoming increasingly popular among customers. Offline payments have become nil. The reason for this change is all because of pandemic effect and lockdown in our country.

Micro ATMs and BHARAT QR introduced have become popular this can be noticed with the numbers in the above table.

One can observe similar variations in ATMs, PoS, Micro ATMs, Bharat QR of ICICI BANK from table 2.

Table 2: Number of ATMs setup by ICICI bank. Data on PoS, Micro ATMs and Bharat QR

ICICI: ATM, PoS, Micro ATMs, Bharat QR Statistics for the last three years						
Year	ATMs		PoS		Micro ATMs	Bharat QR
	On-site	Off-site	On-line	Off-line		
	1	2	3	4	5	6
2021	8193	8639	621429	0	4079	488074
2020	7260	10172	484245	0	Nil	Nil
2019	5216	9800	353347	0	Nil	Nil

Source: RBI

Table No: 3 SBI credit cards statistics

SBI: Card statistics						
Year	Credit Cards					
	No. of outstanding cards as at the end of the month	No. of Transactions (Actuals)		Value of transactions (Rupees Lakh)		
		ATM	PoS	ATM	PoS	
2021	11927267	83884	31158736	3186	1102973	
2020	10499091	48867	14706871	1970	408935	
2019	8545759	154499	26511681	595.2	94792.5	

Source: RBI

Table No: 4 ICICI credit cards statistics

ICICI: Card statistics			
Year	Credit Cards		
	No. of outstanding cards as at the end of the month	No. of Transactions (Actuals)	
		Value of transactions (Rupees Lakh)	

		ATM	PoS	ATM	PoS
2021	10726990	29174	27560010	1353	1046643
2020	9090119	9082	11507398	420	231783
2019	6826140	51413	23600721	180.6	65059.6

Source: RBI

As we know credit cards lets one to borrow funds from a prior approved limit to pay for the purchases made. One can swipe the card or use it for online transactions. As per table 3 and table 4, the number of credit cards outstanding as at the end of April month of year 2021 are 11927267 and 10726990 for SBI and ICICI banks respectively. Issue of credit cards has increased tremendously by 39.5 percent and by 57.1 percent respectively in two years. Number of transactions and value of transactions also surged enormously and that too within one year. Number of transactions using SBI credit cards through ATMs has increased by 71 percent and using PoS, number of transactions rose up by 221 percent likewise number of transactions using ICICI credit cards through ATMs has gone up by 111.8 percent and through PoS also increased by 139.4 percent. All these changes are because of lockdown in the Pandemic period.

Table No: 5 SBI Debit card statistics

SBI: Card statistics					
Year	Debit Cards				
	No. of outstanding cards as at the end of the month	No. of Transactions (Actuals)		Value of transactions (Rupees Lakh)	
		ATM	PoS	ATM	PoS
2021	293368754	179109030	96117511	9129494	1617692
2020	278771154	102060804	65277589	5207095	699807
2019	297073038	382742667	118453038	1100651	164192

Source: RBI

Table No: 6 ICICI Debit cards statistics

ICICI: Card statistics					
Year	Debit Cards				
	No. of outstanding cards as at the end of the month	No. of Transactions (Actuals)		Value of transactions (Rupees Lakh)	
		ATM	PoS	ATM	PoS
2021	39073158	22816102	24236391	1398042	523527
2020	46046701	12249919	14415468	601126	198493
2019	44769955	33797897	40926673	174745	58265.7

Source: RBI

Debit card is a payment card used to buy goods and services. Money is directly deducted from one's respective account. This card can also be used to draw money from ATM. One can draw money or make payments to the purchases made only to an extent of amount available in one's bank account. Table 5 and 6 shows the number of debit cards outstanding as at the end of the April month of three years from 2019 to 2021. Year 2019 to 2020 the number of outstanding debit cards reduced by 6 percent for SBI whereas it surged by 2 percent for ICICI bank. Year 2020 to 2021 April the number has gone up for SBI by 5 percent whereas a drastic dip is seen for ICICI that is by 15 percent.

Table No: 7 SBI National Electronic Fund Transfer (NEFT)

SBI: National Electronic Fund Transfer (NEFT)

Year	Total Outward Debits		Received Inward Credits	
	No. Of Outward Transactions	Amount (Rs. Lakh)	No. Of Inward Transactions	Amount (Rs. Lakh)
2021	24706080	24841724.2	69639464	35190334.1
2020	18833930	19861820.7	45508268	23375999.4
2019	22283593	2866164.6	47113711	3480332.6

Source: RBI

Table No: 8 ICICI National Electronic Fund Transfer (NEFT)

ICICI: National Electronic Fund Transfer (NEFT)				
Year	Total Outward Debits		Received Inward Credits	
	No. Of Outward Transactions	Amount (Rs. Lakh)	No. Of Inward Transactions	Amount (Rs. Lakh)
2021	27608141	18474141.3	19356885	19790227
2020	15571402	8244155.2	9286201	10914901.4
2019	16862650	1361689.8	12289684	1662654.5

Source: RBI

National Electronic Fund Transfer (NEFT) is an electronic funds transfer system maintained by Reserve Bank of India (RBI). It is a payment platform used by many banks. Money transfer can be made by an individual or company to an individual or company's bank account with any bank. The prior condition is that the bank should be a member of the NEFT scheme. Transactions are executed from 8am to 7pm on all working days of week, except the second and fourth Saturday of the month. (Source: RBI website). During the covid period from 2020 to 2021 individuals and companies have opted for online transactions, whether it be for business or personal. This is evident from the figures in Table 7 and 8 which reflect the NEFT transactions which show a huge hike in outward as well as inward transactions whether it is a public bank (SBI) or a private bank (ICICI).

Table No: 9 SBI: RTGS Inward

Year	SBI: RTGS Inward							
	Volume				Value (in Rupees Crores)			
	Inter bank	Customer	Total	%	Inter bank	Customer	Total	%
2021	12169	2205154	2217323	14.63	64729.4	906278.4	971008	11.03
2020	11979	895210	907189	16.69	52004.2	697241.8	749246	11.63
2019	31853	1705036	1736889	15.14	1195	9719.72	10914.7	9.71

Source: RBI

Table No: 10 ICICI: RTGS Inward

Year	ICICI: RTGS Inward							
	Volume				Value (in Rupees Crores)			
	Inter bank	Customer	Total	%	Inter bank	Customer	Total	%

2021	8114	1515509	1523623	10.06	162744	640446	803190	9.12
2020	6943	451374	458317	8.43	120514	471015.6	591530	9.18
2019	11867	861107	872974	7.61	1870.83	6961.57	8832.4	7.85

Source: RBI

Table No: 11 SBI: RTGS Outward

Year	SBI: RTGS Outward							
	Volume				Value (in Rupees Crores)			
	Inter bank	Customer	Total	%	Inter bank	Customer	Total	%
2021	17696	1813340	1831036	12.08	129872	893272.9	1023145	11.62
2020	18796	653468	672264	12.37	81302.9	632421.4	713724	11.08
2019	63659	1337252	1400911	12.21	1939.3	9373.4	11312.7	10.06

Source: RBI

Table No: 12 ICICI: RTGS Outward

Year	ICICI: RTGS Outward							
	Volume				Value (in Rupees Crores)			
	Inter bank	Customer	Total	%	Inter bank	Customer	Total	%
2021	3006	1489343	1492349	9.85	30196.8	831310.7	861507	9.79
2020	2640	439670	442310	8.14	29108.4	607852.9	636961	9.89
2019	5691	892971	898662	7.83	458.08	8841.61	9299.68	8.27

Source: RBI

Real Time Gross Settlement (RTGS) is a system where there is fund transfer on a transaction by transaction basis whereas in National Electronic Fund Transfer (NEFT) system funds are transferred on a netting basis. It is a most effective and faster mode of payment. The minimum amount that can be remitted through RTGS is Rs.2 lakhs with no upper limit. Tables 9, 10, 11 and 12 reveals that though there is downfall in volume of interbank and customers' RTGS inward and outward transactions from the year 2019 to 2020, it surged by more than the double the number from year 2020 to 2021.

Table No: 13 SBI: Mobile Banking Transactions

SBI: Mobile Banking Transactions		
Year	Volume (Actual)	Value (In Rs'000)
2021	716244983	1963378047
2020	287963313	925024539.8
2019	189128183	990775025.4

Source: RBI

Table No: 14 ICICI: Mobile Banking Transactions

ICICI: Mobile Banking Transactions		
Year	Volume (Actual)	Value (In Rs'000)
2021	716244983	1963378047
2020	72125221	379194788.5

Source: RBI

Mobile Banking is a type where financial transactions are performed using mobile devices such as smart phones and tablets. This service is provided by banks and other financial institutions. SBI Yono ICICI Bank i Mobile are some of the examples of mobile banking over mobile applications.

Table 13 and 14 give the details of Mobile Banking transactions performed through SBI and ICICI banks. These numbers convey that most of the customers have adopted for Mobile Banking services during pandemic period.

The prospective Future of Digital Banking:

The data for the future aspect of Digital Banking is collected through google form and on analysing the data the following information is inferred.

1. Hundred percent of the respondents used internet daily.
2. The questionnaire was forwarded to four different age groups comprising of 18 to 25 years, 26 to 40 years, 40 to 60 years and above 60 years groups. 51.11 percent of the respondents belonged to 18 to 25 years age group followed by 37.78 percent from 26 to 40 years age group and 5 percent were from 40 to 60 years age group.
3. Observations show that 48.89 percent of the respondents use internet daily for banking and other financial transactions. There are around 26 percent of the respondents who use internet once in a month followed by approximately 22 percent of the respondents use internet for banking and financial transactions only once in a week and only one percent use it every fortnight.
4. On questioning for how long the respondents been using internet for banking and financial transactions, the responses reveal that more than 70 percent of the respondents started using it since more than one year. That means people started using internet for their banking and other financial transactions from before pandemic period. Remaining respondents started using internet for banking purpose during pandemic period.
5. There were more than 90 percent of the respondents (Agreed and Strongly Agreed put together) who were of the opinion that use of digital banking completes transactions within no time.
6. On being questioned again to check that digital banking usage would save time, 82 percent of the respondents strongly agreed to this statement which is near to the 90 percent respondents who strongly agreed and agreed that through digital banking completion of transactions is fast.
7. Nearly 70 percent of the respondents are of the opinion that service charges are low in digital banking compared to physical banking.
8. Approximately 35 percent of the respondents strongly agree that learning to operate digital banking is easy followed by 37 percent of the respondents agree for the same. There is a small section of respondents around 3 percent who faced difficulty in learning to operate digital banking.
9. As earlier it is noticed that there were more than 70 percent of the respondents who strongly agreed that it was easy to learn to operate digital banking, but actually when looked into the number of respondents who used digital banking system, there were more than 80 percents who found digital banking system is easy to use. It can be concluded that though initially some respondents faced difficulty in learning to operate digital banking system but when actually implemented not many faced obstacles.
10. usefulness is one of the factors in adopting digital banking. This was supported by more than 59 percent of the respondents.
11. Security relating to financial transactions was satisfactory. This made around 52 percent respondents to adopt digital banking.
12. A question was asked to know the respondents opinion on how likely they are going to visit their bank branches. The options that were available for them were that they would avoid face to face banking, they would visit their bank branch only when masks and sanitizers are provided, they

would visit their bank branch more frequently, less often. Of these options 64 percent of the respondents were of the opinion that they would less often visit their bank branch, 22 percent were of the opinion that they would avoid face to face banking. A meagre percentage that is 8 percent of the respondents opted for an option that they would visit bank branch if masks and sanitizers are provided. But there are a section of people who would more often visit the bank.

Conclusion:

Indian Banking sector has been implementing IT enabled techniques for its operation for last few years. By offering better quality services and products by the banks, customers are experiencing easy banking operations with the help of information technology. The COVID 19 pandemic outbreak has challenged the banking sector in India. Earlier the banking customers used to visit the bank branches physically to avail banking services. But during the pandemic period, banks have experienced a more shift towards the digital or internet banking. This paper throws light towards the usage of banking services during pre-covid period, during the pandemic times and post-covid period. Now the entire myth is busted and people are craving for digital payments right from Auto wala to street vendors and life is unimaginable without digital payments, helping nation to measure its true income to initiate steps for better future. Thanks to digital payments.

The general objective of the study and its outcomes are

1. **Objective:** To provide a view on the past of digital banking.
2. **Output:** By going through the evolution of digital banking right from commodity money to virtual money, gathered information on different digital banking products and services.
3. **Objective:** To give a view on the present situation (usage of digital banking services during pandemic period).
4. **Output:** For this purpose, we have analyzed the total digital payments and settlements in the banking transactions for the period of three years 2019,2020 and 2021.
5. **Objective** Finally to know the future of digital banking for which google form is served to the customers of different banks.
6. **Output:** On analyzing the data the following is inferred.

After pandemic period, most of the respondents favour digital processing, interested in drive through and touchless banking. Very few prefer in person with safety measures.

References:

1. Mbama, C.I. and Ezepue, P.O. (2018), "Digital banking, customer experience and bank financial performance: UK customers' perceptions", *International Journal of Bank Marketing*, Vol. 36 No. 2, pp. 230-255. <https://doi.org/10.1108/IJBM-11-2016-0181>

RBI site.

Leora klapper and Margaret miller, (2021), " The impact of COVID -19 on digital financial inclusion", report for Italian Presidency of the G20, Global Partnership for Financial Inclusion (GPFI), World bank. Elizabeth Ujarura Kamutuezu, (2016), "The Adoption of Digital Banking in Namibia", A dissertation submitted in partial fulfilment of the requirements of Master in Business Administration – International Business at the Amity Centre for E-learning Amity University, Noida