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❧ CONTENTS OF ENGLISH PART - IV ❧

S. No.	Title & Author	Page No.
26	Impact of Cashless Payment” (on Economy Growth) Dr. Ronil Kulbhushan Ahale	135-140
27	Impact of Online Banking System on Cashless Economy of India Dr. Parturkar M. S.	141-144
28	Digital India: A Long Road Ahead Laxman Jajodia Kiran Nagare	145-151
29	An Overview of Digital Banking in India Mrs. S. B. Dongapure	152-156

29. An Overview of Digital Banking in India

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Abstract

Digitisation has taken the centre stage in all economic activities in the present global scenario. Advancement of technology has irrupted on the wave of globalisation. Banking is the most affected sector in this era of digitisation. Modern banking is going through a phase of transition where there are many ways out. The researcher has taken a good review of literature to understand the scope of future banking. The study leads to a couple of vibrant conclusions, those are: a) infinite opportunities for banking sector and b) many challenges of misuse of technology. The researcher has used secondary sources of data for the study and drawn some useful conclusions thereon.

Keywords: Digital Banking, Mobile Banking, Virtual Banking, Digitisation

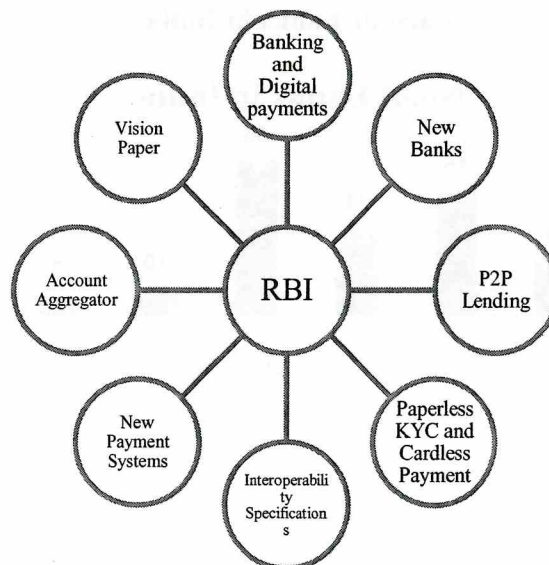
Introduction

The second decade of the twenty first century has opened many gates to the digitisation wave. Technological advancements are leading the world towards creating more user friendly applications and providing wider access to all. This gives ample scope to digital framework of banking in India. The increasing number of bank account holders in India is creating work pressure on the banks. The use of technology will reduce the burden of this excessive work from the banks and allow more access to common people. Digitisation is important from two point of views; one, providing better access to bank customers and two, ensuring safe and hassle free banking. This leads to more technological innovations and creation of digital atmosphere in banking sector (Ramsastri, 2016). The world economic forum has conducted various surveys which reveal this fact that many developing countries are interested in spreading digital access in their banking system for its endless benefits. 61% global banks noted digitalization as high priority for 2016; however, 88% see it as a challenge as identifying the right digital partner would be the key (Shukla, 2016). The revolutionary use of internet through devices like mobile smart phones has surely increased the popularity of banking services. Today, almost every single banking operation can be carried away with the help of mobile banking or net banking facilities.

Therefore, it is very important to understand the present scenario and future prospects of banking in India.

Today, banks have become more dynamic than ever before. The future is ready for catering a faster, accessible and safe banking service in India. Providing facilities of electronic transactions to the common people, banks, industries and the Govt. was a key issue. The introduction of various Govt. portals and applications under the umbrella of NPCI i.e. National Payments Corporation of India was a milestone in the digitisation process of banking sector in India (Kulkarni, 2018). The role of Reserve Bank of India and the Indian Banks Association is very crucial in setting up of NPCI. The increasing number of bank account holders is one of the key issues in front of RBI. The increasing number of banking transactions is demanding more trustworthy and fast banking system across the country. Therefore, RBI has come up with some very interesting banking solutions through its research and innovations since the last decade. The driving innovations of Reserve Bank can be chalked out from the following figure.

RBI Driving Innovation



Source: www.npci.org.in/vision/youtube/2018

Objectives of the Paper

1. To discuss the present status of banking in India.
2. To study the future prospects in Indian banking system.

Significance of the Paper

The present article discusses about the present scenario of Indian banking and the possible future scope for Indian banking system. It has its own significance from the view point that, the digitisation in banking has created huge impact on traditional methods of banking.

Hence there may be a chance of few problems to set up in front of such digitisation process. The paper also discusses about the problems and remedies on digital banking expansion in India.

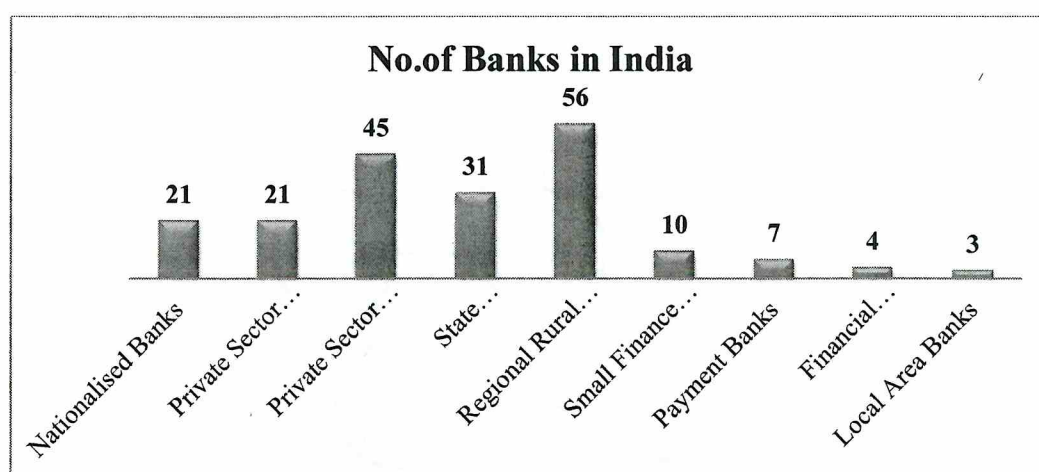
Methodology of Paper

The present article is based on secondary sources of data from reports, books, articles in journals and other e-sources available. The researcher has gathered the data and presented in the form of tables, graphs and diagram for better understanding of the research question.

Present Status of Banking in India

Indian banking system has a rich history and heritage. Bank of Hindustan is considered as the oldest bank established in India way back in 1770. Thus, Indian banking system has travelled a journey of almost 250 years long road (Gomez, 2014). There have been many changes in these years but still Indian banking system has survived and is in boom. Since the inception of Reserve Bank of India in 1935, Indian banking has progressed in many ways. The quantity and quality of services provided by Indian banks has improved a lot. The data revealed from the website of RBI shows a significant amount of growth in number and variety of banks in India.

Various banks in India



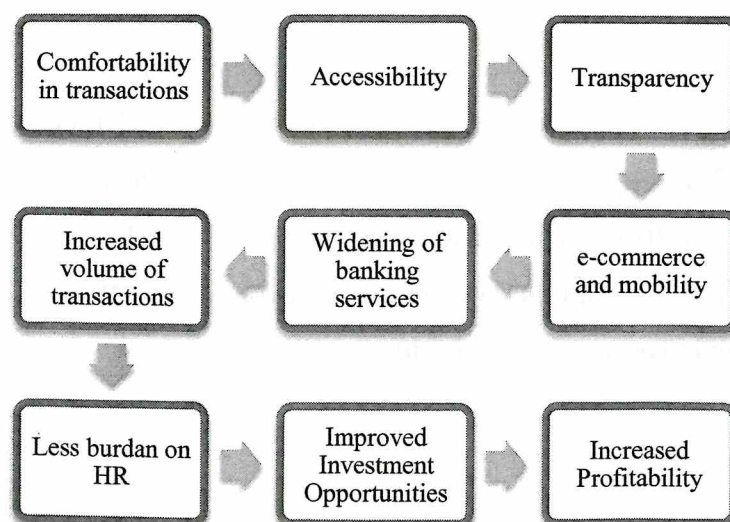
The variety of banks has also grown in the past few years in India. Previously only commercial banks working in public as well as private sector were dominated in India. But with the introduction of small financial banks, payment banks and local area banks, the competition amongst all these banks has also grown (Mathews, 2017). The new types of banks are the product of digital revolution across the globe. Also the changing banking needs of the bank customers are compelling banks to change the methods of their business. Thus, innovation and research in banking have changed the cause and way of banking of almost all banks.

Digital Banking in India

The roots of internet or digital banks are deepening in the year late 1990, as ICICI Bank started using internet facilities for its customers. The majority of the banks were operating manually as the number of bank account holders was very less. The computerisation of banks started in the last decade between 1990 and 2000 (Kapoor, 2011). In October 1993, an agreement was signed between the Indian Banks' Association (IBA) and employees union regarding computerisation in banks. As per the agreement 4523 branches of public sector banks were eligible for partial/full computerisation as on 30th June, 1996. Of these, around 2900 branches have been identified for full computerisation by March, 1997 and at the end June, 1996, 1394 branches were fully computerised (Gomez, 2014). As technology progressed, the use of internet in various sectors like banking and insurance rapidly increased. The new economic policy adopted by the Union Govt. in 1991 up-roared the use of technology in all keys fields of the economy. However, the volume of transactions of banks has increased rapidly since 2004 (Jain, 2015). The digitisation of banking transactions was intended towards providing faster, accessible and more transparent services to its stakeholders. Digital banking enabled the banks to connect with the masses and increase the number of branches for increasing the volume of their business (Prasad, 2012).

Advantages of Digital Banking

The digital banking has not only improved the banking business but it has created many opportunities for new bankers in India. There are many advantages of digital banking which are as follows-



Conclusion

The scope for digital banking is very wider and thus the nation is moving faster on digital platform. The Digital India initiative is one such step towards creating digital banking atmosphere in the country. The number of smart phone users is rapidly increasing and thus, the number of banking customers using digital tools is also increasing. The new aspects of digital banking have promised to change the shape and the fortune of the economy in the near future. The country is definitely moving towards paperless banking and digital payment systems. This enables the Indian banking system to grow and nurture itself in the promising future. However, there are many threats like data hacking, data piracy and cyber crime which needs to be observed by the Govt. The digital advancements are with and against the human welfare; therefore, the Govt. must ensure the safety of the customers in all regards.

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