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Sonia Dara

Assistant Professor, Khalsa
College for Women, Civil Lines
Ludhiana, India

Digitalisation in Indian Banks

Sonia Dara

Abstract

The word "Digitization" has predominated the today's economy specially Banking sector. Digitalization means the use of technology to radically improve service to the customers. Now a days Banks are no longer made of just bricks and mortar delivery channels. The banks are adopting many technologies for digitalization. Digitalization approach is providing benefits to both banks as well as customers. The present paper's main aim to understand the concept of digitalization, its benefits. Further, this paper also discusses the challenges and opportunities related with digitalization of banks in Indian context.

Keywords: Digitalization, Banking, India, Challenges, Opportunities

Introduction

Digitalization is concerned with all those efforts which are required by all banks to provide quick and better services to customers. The banks have gone through a number of changes since ancient times. Banks have changed their traditional approach and are trying to match up with latest advancement in the field of technology, which has evolved "Digital Revolution" in banking sector in India. Digital banking is also known as "Cyber Banking" or "Virtual Banking". Digital Banking comprises three levels given below:-

First Level:-It includes banks' websites to provide information to general public.

Second Level: - It includes bank's website to receive customer's requests and queries.

Third Level: - In this customer can operate his account through website.

Benefits of Digitalization

- Time saving: - It reduces the time limitation and provides less waiting time as compared to traditional banking.
- Anytime anywhere banking: - Digitalization provides 24*7 hrs. Services to customers.
- Improve Connectivity: - Through digitalization relationship with customers can be improved.
- Ensure Customers satisfaction: -_Good relationship with customer ensures customer satisfaction and loyalty.
- Cost effectiveness: - Digital banking is cost effective as it reduces the paper work.

Techniques of Digitalization

Techniques of digitalization are given below:-

- National Electronic Fund Transfer Fund:-It is a mode of payment system which helps in transferring funds from one branch to another branch.
- Electronic Clearing Services: - It is a service which helps in making payment and collection in bulk.
- Real Time Gross Settlement:-It is a system which allows the transfer of funds from one bank to another.
- Credit Debit Cards
- Prepaid Instruments
- Mobile Banking

Correspondence:

Sonia Dara

Assistant Professor, Khalsa
College for Women, Civil Lines
Ludhiana, India

Current Scenario of Digital Banking in India

Digital Banking has become integral part of banking in India. The concept of digitalization is of fairly recent origin in India. The Indian government enacted the IT Act, 2000, with effect from the 17th October 2000 to implement internet banking. The traditional system which was prevalent in Indian banking seems to be replaced by modern technologies. The Initiatives taken by Indian banks for digitalization are given below:

- Bank of India launched card less withdrawal service.
- Bank of Baroda implemented the Business Transformation Programme.
- OLTAS (Online Tax Accounting System) has been implemented.
- 24*7 hrs service is provided by many banks.
- Banks are making their presence on social media on Facebook and Twitter.

Risk under Digitalization

Some of the risks have been enlisted below:

- Traditional geographical barriers: As the banks in different geographical regions have different laws governing them. So with digitalization these barriers are shrunked. It established a same supervisory and control system for all.
- Issue of Security of banking transaction: No doubt online banking transactions are much secured but there are still some loopholes which lead to cyber-crimes and misuse of private information of customers.
- Risk of loss: Digitalization brings loss of business to those banks which don't upgrade their system as per technical changes in systems. This brings stagnation for those banks.
- Effective & Intelligent usage of funds: Only introduction of IT would not be sufficient to bring perfect improvements. People are required to use all tools of digitalization in intelligent way.
- Complex system: Banks have a complex legacy system so replacing them lead to daunting risk.
- Costly: The upgradation needed is quite expensive in many aspects; also the needed staff expertise and additional resources are the most elaborate concepts.

Conclusion & Recommendation

Traditional cash payments are being replaced by “Digital Wallets” with Digitalization. Many other aspects of banks are either being transformed or being evolved into something new. So the major question which is needed to be answered here is that to “What extent would banks be able to utilize the extensive opportunities arising out of the digitalization”? Utilizing digitalization in an efficient manner holds a great importance in India. It is also depicted by the quote of Nassim Nicholas Taleb, “Banking is a very treacherous business because you don't realize it's risky until it is too late. It is like calm waters that deliver huge storms.”

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