

PARADIGM SHIFT IN THE INDIAN BANKING SECTOR – DIGITAL BANKING INNOVATION

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Abstract

Adoption of technology is efficaciously altering the way we live and work in our daily routine. The nature, pace, and impact of this technological adoption at the everyday level are often neglected. The banking sector is now seen as having an ongoing challenge from the implementation of digitization in banks. Obstacles to the successful adoption of digital techniques, whose success is crucial for the future and the banking industry, are linked to digital transformation within the financial services sector. There is a great need to extend the reach and scale of banking by leveraging technology to cover new channels beyond the traditional banking network. A recent study conducted by CGI titled as Understanding Financial Consumers in this Era of Digitalization throws some light on the expectation of today's digital consumer. It is believed that the adoption of appropriate technology would enable the bank branches to reach out to the customers in a much efficient way and are able to satisfy them with the services and increase the reach instead of the other way round which is of paramount importance for financial inclusion.

Households were granted access to their financial accounts at the start of the modern digital banking boom. With the advancement of technology, services that were formerly only available in real brick and mortar facilities have increasingly migrated online, allowing people to utilize banking services on an increasing number of devices. The Covid - 19 epidemic, according to the Economic Times, has fundamentally changed how people live their lives, from working and shopping to especially banking. The future digital banking is anticipated to undergo several evolutionary changes. By embracing digital banking technologies, banks are attempting to stay up with the trends and lead the way for other financial organizations. Deloitte asserts that clients are now at the core of every digital shift and strategy, and that banks must effectively implement these transformations starting now in order to be able to integrate them smoothly by 2030. India accounts for 15% of the world's total population, and based on a projected growth rate of 7% to 8%, India is firmly targeting being the second-largest economy in the entire world by 2030. The government is relying on the online marketplace as the main growth facilitator to accomplish this.

This paper's primary goal is to highlight the biggest challenges that the digital shift is encountering from a management perspective in both the private as well as commercial banking sectors and to assess its benefits and drawbacks. Additionally, the paper seeks to evaluate the opportunities for digital transformation in the banking sector through qualitative exploratory research, where transformation results in a major advancement in organizations as they shift from a product-centric to a customer-centric perspective.

Keywords: Digital transformation Financial inclusion, Digital banking, e-banking, Kisan Credit Card, Doorstep Banking (DSB) Services.

Introduction

Over the last many years, digital transformation has attracted quite a lot of attention in the field of banking. Various reports and bankers have always drawn attention to the importance and merits of large-scale digitization and their support towards electronic banking. The banking service sector is continuously evolving, new technology is constantly being introduced into banking field and CEO'S & Management in the banking industry are continuously making efforts to implement ground-breaking financial products and services.

Nachiket Mor Committee (2014) reports provides various recommendation on encouraging technology to enhance banking penetration and lending to certain customer segments and attracts attention of the Reserve Bank of India to build a vigorous legal and regulatory framework around data generated in various banking transactions and to settle a part of the costs. The committee also suggested the following strategies for providing electronic bank accounts distribution of Technology Payment System over simple deposits and withdrawals facilities; provisioning credit products, deposit as well investment options, insurance and risk items by formal The corporate institutions. These strategies would help achieve the goal of enhanced the digitization and broadening access towards financial inclusion.

The transition to digital banking began with consumers having reasonable access to their savings accounts. With the development of technology throughout time, more devices received access to financial institutions online, replacing services were were previously housed in solid physical locations. Banks must set the example for other financial institutions by embracing the digital age if they are to stay up with the pace.

Research Methodology

The nature of this research is descriptive, and it also draws on secondary data. The information was acquired from a variety of sources, including academic studies, publications from government websites, numerous Reserve Bank of India bulletins, and other trusted bank websites.

Digital Banking vs. Traditional Banking

The paradigm shift from the orthodox banking methods to modern online banking has not been an easy affair; the transition has been given great acceptance as it expands the banking industry reach and its ability to shift to a purely customer centric strategy when compared to the traditional banking. By opening up an Omni channel for present customers, it has given more ways to access financial services for the coming generations of customers which are considered to play a pivotal role in financial inclusion in this modern era of banking industry.

As this reshaping of the banking industry goes on, traditional branch banking methods become outdated and are no more as beneficial as they were in the past as most of the product & services are now digitized. As the ability to offer and be given those banking functions that the are not

possible digitally becomes the only factor determining the value of physical presence. The old banking structure will be entirely antiquated after the banking system has through its full change, and new electronic financial services will continue to advance, which is crucial for the development and future in the Indian banking sector.

Indian Banks & Financial Institution heading towards a Digital Revolution

The modern Indian banking sector has evolved into a prime illustration of digital development, and in the last ten years or so, both the growth and the rate of digitalization have been astronomical. In order to strengthen online infrastructure and broaden citizen access to the internet, the Indian government was effectively supporting the "Digital India" scheme. This is a significant step toward financial inclusion and innovative digital banking. Few of the recent digital innovations towards better financial inclusion are,

United Payments Interface (UPI) - A major accomplishment for the Indian banking system as well as the whole Indian economy is the United Payments Interface (UPI) or Bharat Interface for Money (BHIM), which were started by the Indian government and new generation entrepreneurs. A significant number of electronic banking transactions is being produced through innovation and growth in payments and services. UPI is a special way to send money to anybody, anywhere, at any time, without having to input bank information each time we perform a transaction. UPI and BHIM are relatively affordable and straightforward ways to make money transfer, making it simple to transfer money and significantly contributing to financial inclusion.

Apps with Market Share with UPI Feature in India

Real-time transaction- Another step towards digital innovation is Real-time transaction processing which stresses on enforcing time validity of transactions, i.e., meet time bounding on citation and completion, and ensuring temporal consistency of payment data. RTGS is normally done for high value of transaction starting from the range of 2 lakhs & above fast and economical methods. Further on banking holidays when RTGS is not accepted IMPS or An innovative real-time payment service which is accessible around-the-clock is called Immediate Payment Service. The IMPS service provided by National Payments Corporation of India (NPCI) lets users to quickly and conveniently send money from one bank to another.

Web-enabled kiosk banking – Following its policy of financial inclusion Government of India issued a circular for financial inclusion that the villages with a population of above 2,000 should be provided with basic banking facilities easily, which resulted to another major step towards financial inclusion which is known as kiosk banking where the facility of cash and cheque deposits are provided, and the cash withdrawal functions are similar to those of an ATM Machine Services.

List of Some Projects based on Village Kiosk in India.

- e Seva, Integrated Citizen Services, Andhra Pradesh
- Lok Mitra and Jan and Jan Mitra Projects from Rajasthan
- e- Bill Post and Post Services of the Department of Posts
- ITC eChoupal
- Swayam Krishi Sangam (SKS)

- RASI (Rural Access to Services through the Internet) through the Internet) --- n- Logue Communications
- TARAHAAT
- GRAMDOOT

RuPay Cards is Transforming India – Keeping the objective of financial inclusion and giving in paramount consideration & also to provide everyone easy and any time access to financial services and financial instruments at an economical cost was the focus and the need of the hour which led to the introduction of RuPay Card, the first ever domestic card network introduces and also a payment gateway that is a multilateral and open-loop which was not a service provided by International payment gateway giant i.e. Visa & Mastercard.

Financial inclusion was one of the biggest aim for RuPay Card introduction and since its inception in 2012 RuPay Card has supported several other programs towards bringing about financial inclusion. Some of the major initiatives that RuPay Card has been associated with are:

- Pradhan Mantri JanDhan Yojana (PMJDY)
- IRCTC RuPay Prepaid Cards
- RuPay Mudra Card
- Cash@POS

Kisan Credit Card Scheme – Another major initiative launched to bring in financial inclusion with digital innovation in the rural areas is the innovative product for rural population known as Kisan Credit Card scheme which was introduced in to simplify the methods for farmers in availing adequate and efficient credit facilities. This will help the farmers in the timely purchase of agriculture inputs such as seeds, fertilizers, pesticides, etc.

The Kisan Credit Card scheme also provides coverage for pre & post-harvest expenses, farmer consumption requirements, and meeting credit requirements for agricultural and allied activities. This financial scheme is implemented by Public Sector Banks, Small Regional Rural banks, and cooperatives societies to help the Farmers in meeting their financial & credit requirements along with any other expenses made during the pre & post-harvest season.

Conclusion

Indian Banking Sector is slowly but gradually stepping towards the Digital India and advanced banking technology. They continually add new products and services to their portfolio in an effort to keep up with other international financial companies in the banking sector. They also work to simplify and expand the entire client experience. The Government of India has taken many efforts to enable digital banking innovation, local banking services, or digital credit extension platforms, the Union Minister of State for Finance recently declared in the Rajya Sabha. All of the traditional banking activities and programs that historically required customers to be physically present inside a bank branch are being digitized (or moving forward online).

As of right now, roughly 72% using financial transactions made by PSBs take place online, with the number of users of digital channels tripling from 3.4 crores in FY 2019–20 to 7.6 crores in FY 2020–21.

From 29% to FY 2018-19 with 76% in FY 2020-21, more financial transactions were made via home and mobile channels.

- It is anticipated that India's recent statement that it would abide by the UN's Responsible Digital Payments standards will simplify the regulatory environment and make it safer.
- The future is entirely digital. Banks will need to jump on this bandwagon by implementing cutting-edge technologies such artificial intelligence, machine learning, cross-selling through intelligent analytics powered by big data, and carefully curated product offerings for various customer segments. This is what would set banking offers apart and allow it to really accomplish a paradigm shift within the Indian banking sector.

Graphs Charts (Source RBI & IBA site)

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