

Digitalization Impact on Banking Sector

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Abstract: *Digital India is the most important initiative undertaken by our honourable Prime Minister Mr.Narendra Modi which has remodeled India into a digitally empowered society. Digitalization is the procedure of altering information into digital method with the assistance of technology. These initiatives have changed the working pattern of banking sector. Digitalization is not a preference to finance trade, rather it is predictable as each sector has implemented and there is no exception to banking industry. So Digitalization is accepted by our banking sector and has been successfully implemented. With this journey of digitalization, the banking industry undergoes both positive and negative impact. In this study an attempt has been made to identify how the digital banking has influence on rural sector.*

Keywords: *Digital Transformation, E-Governance, rural sector, Mobile banking, Cashless transactions.*

Introduction

Our PM has taken a great initiative of 'Digital India' which leads to idea of having transparency, participative and a good system of Governance. This idea has brought public accountability by making access to digital information to every citizen of the nation.

The Digital India is developed with three input visions –

1. Providing good infrastructure
2. Providing E-Governance services with integration across departments and
3. Providing digital literacy through Indian languages and online platforms for every authority.

Objectives of the study

1. To investigate the constructive influence of digital banking.
2. To examine the adverse influence of digital banking in rural sector

Research Methodology

This paper is grounded on the secondary data and the data is collected from the internet via journals, research articles and magazines.

Nine Columns of Digital India Programme

- 1. Broadband Highways:** The intention is to shield each village Panchayat under National Optical Fibre Network (NOFN), nationwide internet infrastructure (NII) and cloud substructure in the nation to deliver great speediness connectivity to numerous government departments.
- 2. Worldwide Entrée to Mobile Connectivity:** The purpose is to upsurge network infiltration and to deliver mobile connectivity.
- 3. Public Internet Access Programme:** Each Gram Panchayat will have One Common Service and Post Offices can be transformed into Multi service centre.
- 4. E-Governance:** With the help of IT the delivery of government services are made and complete information is accessible into automated procedure.
- 5. E-Kranti:** The objective of this enterprise is to deliver complete information through online to the wide-ranging community in the method of edification, wellbeing, investment etc.
- 6. MyGov.in:** It is a website propelled by the government to ease a 2-way communiqué between people and the administration and an intermediate to interchange thoughts or recommendations with government.
- 7. Electronics Manufacturing:** The aim is to have zero imports of electronics and support the industrial and investment in electronics segment.
- 8. IT for Jobs:** The objective is to prepare and direct individuals in cities and villages for IT segment employments and enhance skill of the rural workforce.
- 9. Primary Reaping Programmes:** Government devices to connect Wi-Fi amenities in all universities across the country. The communication in every Government departments will be made through Email.

Digitalization in Banking Sector

In Traditional banking – The banks exist physically and customer service takes a lot of time for both bank and customer, visit by customer is done in working hours only, the security threats are more in traditional banks and incurs high cost in the form of operating and fixed cost, the customer gets satisfied due to face to face contact with traditional banker. Now-a-days due to increase pressure from customer expectations, profitability aims, the convergence of industries, there is a requirement to banks to adapt or restructure their banking habit of business. Therefore, due to these changes, the need of digitalization of banks arises. Traditional banking has essential to combine digital speed and handiness with human interactions that are both kind and caring at crucial moments in the customer journey.

Digitalization is the transfer of information into a digital setup with the acceptance of technology. Acceptance of digitalization is very significant for the banking segment to carry on in the future. So in rural areas the traditional banking is focussed more compare to innovative banking services.

Role of digitalization in overall banking sector

The banking industry has seen a massive change over the years and adopted automation methods to have easy and faster transactions. Banks are not only a part of the society but also play a very significant part in the lives of the people. Many people can't survive without banks. Therefore bank always attempt to accept modern technologies and improve customer satisfaction. Digitization is not a choice for banking trade, rather it is inevitable because every business is being digitized and banking segment is not excluded. Mobile banking is eye-catching the next great stage revised by the banks. With the beginning of digitization service or automation, mobile banking has developed the main portion of the service. In all common sense, the role of digital revolution in banking industry is enormous and constructive.

DIGITALIZATION IN BANKING SECTOR



Positive impact of digitalization in Banking sector

- 1. Increases efficiency:** With the use of electronic form of transactions, the banks have increased their efficiency in providing customer services and also facilitate the flow of smooth transactions.
- 2. Fast and furious:** By usage of electronic devices the customer is gaining speed in transactions and will reduce the duration of operation and thus reassures relaxed movement of capitals likened to traditional banking.
- 3. Enormous coverage:** Through Digitalization of banking, it shields large number of people and has extensive coverage.
- 4. Develops the quality:** Due to automation of transactions, the banks will improve the quality of service equated to old-style banking.

5. **Less human error:** Digitalization of banking upholds appropriate accounts of trades and easily storable in electronic form and thus decreases the human error.
6. **Eco- friendly:** As digitalization of banking decreases the paper work and saves paper and trees and hence forth it is eco-friendly.
7. **Upsurges Investment:** Due to the enhanced banking system, it has become very easy and speedy to access many banking services. Thus, it improves the investment system in the nation.
8. **Cost effective:** The enhanced banking system cuts down the outdated paper work and the expenses on currency notes because there is very low usage of hard cash. It also brings down the maintenance cost on records as the customers employ various electronic devices for digital banking via internet.
9. **Improved customer experience:** *The enhanced banking system has brought a new trend among customers.* Mobile devices, apps, machine learning, automation and much more consent customers to receive what they desire almost precisely at the moment they require it. Because of the opportunities which upsurge from employing latest technology, customers often judge organizations on their digital customer experience *first*.
10. **Quick decisions:** With more digital data available with banks, they can take data-driven dynamic decisions by using digital analytics. This benefits both customers and banks.
11. **Reduces cash handling:** With digitalisation majority customers does transactions with the help of electronic devices (Internet and mobile banking) and therefore handling large amounts of cash will be condensed and also decreases burden of cash handling by the bankers.
12. **Increased customers:** Number of customers will be augmented for banks because of the augmented suitability of banking.
13. **Reduces fake currency:** With the cumulative cashless transactions, fake currency threat will be reduced.
14. **Technology is unbiased:** Everyone will be treated same at banks.
15. **Opening account is easy:** No need to stand in que and open the account, sitting at home by using internet, account opening is done with bank executive who visits at home and does all formalities of opening account.
16. **No Repetitive task:** Digitalization has made the repetitive tasks rejected by automation.
17. **Rural and urban gap eradicated:** With the application of digitalization to rustic banking we can bridge the gap between rural and urban area as it promotes higher level of investment activities.

Negative impact of digitalization on banking

- 1. The literacy rate is low in rural India compared to urban India:** It is obvious that custom of digital banking facilities desires the education. According to the Survey report 29% of rural population lack literacy, which is the utmost challenge in the operation of digitalization to rural banking.
- 2. Lack of infrastructural amenities:** Digitalization of rural banking needs the accessibility of Infrastructural facilities; here we are allowing for mainly the Electricity and communication networks. Nearly 96% villages in India are electrified but only 69% of homes have electricity connections, according to the World Bank report.
- 3. Less number of people employing smart phones:** The number of customers in rural area employing smart phone is very low which is the great impediment in the implementation of digitalization of rural banking.
- 4. Lack of banking habits among rural people:** Many people in rural area do not have approach to banking due to the absence of banking awareness and absence of financial knowledge.
- 5. Network problems in rural areas:** There is a problem of communiqué networks and due to this, digital payment is affected.
- 6. Lack of financial literacy:** People in rural area are not much aware about the numerous ways of making payments.
- 7. Cash economy:** Rural India primarily based on cash than digital cash to complete their daily necessity because the transaction occurs mostly with the assistance of cash.
- 8. Capacity of transaction:** The size of transaction in rural area is minimum because of lesser call for the goods and low level of income.
- 9. Customer confrontation to novel technology:** Customers do not accept change with reference to the usage of technology. It may be due to the absence of information about the usage of digital banking services.
- 10. Cost of financial services:** The cost of providing financial service is too high in rural area because of absence of infrastructural amenities and low capacity of transaction in rural area.
- 11. Privacy compromised:** Privacy may have to be cooperated. No one can hide crores of rupees in banks and just act middle class.

- 12. Loss of jobs:** These drawbacks are just provisional. Loss of jobs will be remunerated through creation of novel jobs, for example, cyber safety, research team for revolution in technology etc.
- 13. Retail banking:** Bank's work is not decreased but the retail banking sector has changed.
- 14. Mergers:** Digitalisation has given rise to merger of banks and this leads to some branches to compromise with it and leads to poor coordination.
- 15. Network and Server problems:** Many a times due to digitalisation a lot of network and server problems arises and this lead to delay in customer transactions and loss to trader customers.
- 16. Security issues:** Due to digitalisation a lot of security issues arise for both customers and banks. Hackers are making use of technology and deceiving the customers of the bank.

Findings

The study finds that rural customers are not aware of digital concepts of banking and therefore more focus need to be done in rural areas to improve infrastructural amenities of digital services and to overcome customer problems. In Urban areas, the banks need to have more focus on customer expectations and satisfy the customer demands as much as possible.

Conclusion

With the forthcoming "Digital India" movement, India will have a stable and leading digital infrastructure, educational institutions and government services will soon be able to offer I-ways anytime. There is more necessitate of generating consciousness among the students who are the future of rural.

Digitalization is helpful in taking India in the direction of corruption free country in the world and also helps in anti-money laundering and proper collection of taxes. Indian banks are trust worthy brands in Indian market; therefore these banks must make use of their brand equity as it is a valuable asset for them. The competition from worldwide banks and technological revolution has gratified the banks to reconsider their guidelines and plans. Finally, the performance of digitisation and the shift to providing clients with a true digital experience involve more than simply changing processes or the types of channels used; financial institution also need to change their corporate culture, showing full commitment to digitisation and focusing on client needs. This is the only way to efficiently navigate any of the routes to digitisation and avoid the hurdles along the way. The positive impacts of digitalization in banks are much dominating and it will be in the long term interest of banks, further to the interest of the country. Therefore, Digitalization in Rural banking sector is certainly going to give a boost to Sustainability of Indian economy in the long run.

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