ABSTRACT

Digitalization is far beyond just moving from traditional or offline banking to a digital world. It is an important change how banks and other financial institutions learn about, interact with and satisfy customers. Digitalization starts with an understanding of digital customer behavior, preferences, choices, and likes, dislikes, stated as well as unstated needs, aspirations etc. Banks have control over a large part of money circulation in the economy. They are the main source for the economic development of a country. The Financial sector, of which Banking sector is the largest and vital player, plays a dominant role in developing the economy of an individual as well as a nation. Today banking is known as innovative or creative banking. Information technology has given rise to new innovations and techniques in the product designing and their delivery in the banking and finance industries. Customer services and customer satisfaction are the attention seeker areas of work. The focus of banking is shifting from mass banking to class banking. Introduction of value added and customized products leads to technology enable banking. With the use of networking and internet new challenges are being faced by banks related to security privacy and confidentiality to transactions. Finally the banking sector will need to introduce a new business model by developing management and customer services with range of products and controlled cost to survive in the long run and services. The paper attempts to present the new emerging trends and its challenges faced by the banking sector with special emphasis on digitization. It will be very useful to the academicians, banking and insurance personnel, financial advisors, professionals, students and researchers. For common readers it will also be very informative and inculcating.

Keywords: Banking sector, digitalization

INTRODUCTION

Banking industry is going through the stage of commoditization. In today’s trend, differentiated and delightful customer experience has become more important and crucial task than just providing financial services. To grab a bigger piece of the market, banking industry has to understand and satisfy the unstated needs of the customer the way airlines understands the preferences and needs of the frequent flyers or the retailers understand the likes/dislikes or taste of their customers, without even taking direct feedback from their customer.

In banking industry digitization essentially means making banking smoother and seamless for the customers. In the past recent years, there is a notable decline in the usage of branches and tremendous increase in digital/online banking consumption. Large no of private banks and public sector banks have been focused on providing new technology-based services to its customers like mobile banking, I-mobile apps and e-wallets.
Information Technology (IT) today has become a vital tool for an efficient and effective banking system, and Indian banks have put in place a strong infrastructure to leverage its advantages. Digitization is just not an option for banking industry rather it is important because every industry is being digitized and banking sector has no exception for that. Now India as well as Indians is ready to become cashless in this phase of Digitization. Though damaged with lot of risk, banking services steadily moved ahead with digitization to provide customer services at their fingertips and laptop screens.

The 'Digital India' campaign has been started by PM Mr. Narendra Modi has the potential to digitize the Indian banking industry. While emphasizing the progress of 'Digital India', more than 12,000 rural post office branches have been linked into payment banking. Along with the providing licenses to new payment banks, many other policies and regulations are expected to be in place in the upcoming years which can bring a paradigm shift in the Indian banking sector. The Digital India vision targets to transform our country into a digital economy with participation from citizens and businesses. More than 190 million accounts have been opened under the financial inclusion scheme, with around 38 per cent of these being zero-balance accounts.

LITERATURE REVIEW

Garg (1994) stated that Indian scheduled commercial banks have attained remarkable progress in last two decades under study, specifically in branch expansion in rural areas, deposits mobilization and credit deployment to priority sector and small scale borrowers. Banking sector reforms is an essential part of the economic reform package. The reform elaborated the liberalization of interest rates, advancement of market-based system of credit allocation, increasing competition, and efficiency of the regulatory and supervisory structure (Jegede et al. 2004). Financial reforms were designed in such a way so that to enable the banking industry build the required resilience to support the economic development of a nation by proficiently performing its function of financial intermediation (Lemo, 2005). Biresh et al. (2011) studied the performance of banks in India in post transition period and determined that the positive trend of the reform process is noticeable through the increase in technical efficiency over the years of the post transition period.

OBJECTIVES OF THE STUDY

The main Objective of this research paper is to analysis the Process of Digitalization in Banking Industry in India. Technological innovations have facilitated the industry to open up new delivery channels, with the help of IT to deal with the challenges that a new economy should poses now. The Objectives of the present study are:

1. To analyze the proficiency of technological based products offered by the banks in India and the effect of Digitization on economic development.
2. To study the rapid advancement occurring in the banking sector.

RESEARCH METHODOLOGY

The present research study practices the most recent available published secondary data. To attain the above stated objectives the secondary data was used. The secondary data has been collected that are mainly published in annual reports of various banks and survey reports of leading business magazines. The secondary data was also collected from various reference books related to E-Banking, Banking Service Quality, E-Commerce, M-Commerce, Information Technology, Marketing, Banking, Finance, Commerce, Management etc. For the said research study the secondary data is also used from the various National and International Research Journals which are related to Commerce, Management, Marketing and Finance. For the said research study the data relating to the above objectives was collected and reviewed the literature on the topic concerned. The literature was thus collected by visiting various libraries. The Secondary data is also collected from various websites.
GLOBAL BANKING DEVELOPMENTS

The year 2010-11 was a crucial period for the global banking system, with challenges arising from the global financial system as well as the emerging fiscal and economic growth scenarios across the globe. Global banks displayed some improvements in capital adequacy but were harassed by weak credit growth, high leverage and poor asset quality. In addition, in major developing economies, credit growth remained at relatively high levels, which was regarded as a cause of concern given the increasing inflationary pressures and capital inflows in these economies.

In the progressive economies, credit availability remained particularly controlled for small and medium enterprises and the usage of banking services also stood at a low, signaling financial exclusion of the population in the post-crisis period. On the positive side, both progressive and developing economies, individually, and multi-laterally, moved ahead towards effective systemic risk management involving initiatives for improving the macro-prudential regulatory framework and reforms related to systemically important financial institutions.

RECENT TRENDS IN BANKING

1. **Electronic Payment Services – E-Cheques**

An e-Cheque is an electronic document which replaces the paper Cheque for online transactions. Digital signatures (based on public key cryptography) change handwritten signatures. The e-Cheque system is planned with message integrity, authentication and nonrepudiation features, strong enough to secure fraud against the banks and their customers. The e-Cheque is suited with interactive web transactions or with email and does not depend on real-time interactions or on third party authorizations. It is considered to work with paper Cheque practices and systems, with minimum impact on payers, payees, banks and the financial system.

2. **Real Time Gross Settlement (RTGS)**

Real Time Gross Settlement system has been introduced in India in March 2004, is a system through which electronic instructions can be provided by banks to transfer funds from their account to the account of another bank. The RTGS system is preserved and operated by the RBI and provides a means of well-organized and faster funds transfer among banks facilitating their financial operations. In other words, funds transfer between banks takes place on a ‘Real Time’ basis. Therefore, money can reach the beneficiary instantly and the beneficiary's bank has the obligation to credit the beneficiary's account within two hours. Timings for RTGS transaction on Monday – Friday is 9 A.M to 4.30 P.M and for Saturday it is 9 A.M to 2 P.M. RTGS charges are as below:

1. Inward transactions – Free, no charge to be levied.
2. Outward transaction – Rs. 2 lakh to 5 lakh – not exceeding Rs. 30 per transaction
3. Above Rs. 5 lakh – not exceeding Rs. 55 per transaction.

3. **Electronic Funds Transfer (EFT)**

Electronic Funds Transfer (EFT) is a system where a person/Company who wants to make payment to another person/company etc. can approach his bank and make cash payment or provide instructions/authorization to transfer funds directly from his own account to the bank account of the receiver/beneficiary. EFT is the widely used transaction way in which money is directly deposited straight into employee’s bank account. For transferring funds faster and in an accurate way we have to complete details such as the receiver's name, bank account number, account type (savings or current account), bank name, city, branch name etc. RBI provides the service of EFT. EFT also provides convenient funds transferred from one account to another within a second. It eliminates the need of personally visiting banks for their transactions.
4. **Automatic Teller Machine (ATM)**

Automatic Teller Machine is the most popular and widely used device in India, which provides the customers to withdraw their money 24 hours a day 7 days a week. Customer who has an ATM card can use this device to perform routine banking transactions without interacting with a human teller. Along with the cash withdrawal, ATMs can also be used for payment of utility bills, funds transfer between accounts, deposit of Cheques and cash into accounts, balance enquiry etc.

5. **Tele Banking**

Tele banking assists the customer to do entire non-cash related banking over the telephone. By using this devise Automatic Voice Recorder is used for simpler queries and transactions. Manned phone terminals are used for complicated queries and transactions.

6. **Electronic Data Interchange (EDI)**

Electronic Data Interchange is the exchange of business documents like purchase order, invoices, shipping notices, receiving advices via internet in a standard, computer processed, universally accepted format between trading partners. EDI can also be used to transfer financial information and payments in electronic form.

7. **Phone Banking**

Bank on Mobile, gives easy access for customers to have large and various businesses through telephones. Data are exchanged over the mobile phone regarding any queries, to issue instructions on balance transfer, statement of account, Cheque-book, stop payments, new schemes, interest rates etc. at any convenient time and place.

8. **Credit Cards**

These plastic cards allow customers to spend whenever he/she wants within the defined limits and pay later. Debit card is a prepaid card with stored value, whereas credit card is postpaid card with fixed limits of money. Credit cards provide overdraft facility to the customers for buy now pay later.

**CHALLENGES**

1) **Customer Satisfaction / Loyalty**: Today, customers are more value oriented in their services because they have alternative choices in it. Hence, each and every bank has to take care about fulfillment of customers' satisfaction.

2) **To Provide several personnel services**: The present times demanded that banks are to provide several services for which they have to expanse in service, social banking with financial possibilities, selective up gradation, computerization and innovative mechanization, better customer services, effective managerial culture, internal supervision and control, adequate profitability, strong organization culture etc.

3) **Non-Performing Assets (N.P.A)**: Non-performing assets are another challenge to the banking sector. Vehicle loans and unsecured loans increases N.P.A. which terms 50% of banks retail portfolio was also hit due to upward movement in interest rates, restrictions on collection practices and soaring real estate prices. Therefore, every bank has to take care about regular repayment of loans.

4) **Competition**: The nationalize banks and commercial banks have the competition from foreign and new private sector banks. Competition in banking sector brings various challenges before the banks such as product positioning, innovative ideas and channels, new market trends, cross selling etc. Banks are controlling their administrative folio by transforming manpower into machine power i.e. banks are decreasing manual powers and getting maximum work done through machine power.

5) **Managing Technology**: Developing or acquiring the right technology, deploying it optimally and then leveraging it to the maximum extent is essential to achieve and maintain high service and efficiency standards while remaining cost effective and delivering sustainable return to shareholders.
Early adopters’ of technology acquire significant competitive advances. Managing technology is therefore, a key challenge for the Indian banking sector.

6) Government Ownership: At present, the Government is the owner of about three-fourths of the total assets in the banking system. On the ownership issues, proponents of private sector banks advocate that Government should reduce its ownership stake in the public sector banks as private sector banks score over public sector banks in profitability and efficiency. However, broadly over the years, the performance of public sector banks has converged with that of new private sector banks and foreign banks.

7) Gaps in the Flow of Credit: A high proportion of socially and economically underprivileged sections of society in India concentrated in the informal economic activities since more than 60 per cent of India’s population lives in rural areas. This sector holds importance due to growing interlinkages between informal and formal economic activities. Available data specify that the cooperatives, commercial banks, and other formal financial sector programs in rural areas have not displaced informal sources of credit altogether.

8) Other Challenges:
   a) Coping with regulatory reforms
   b) Development of skill of bank personnel
   c) Customer awareness and satisfaction
   d) Corporate governance
   e) Changing needs of customers
   f) Keeping space with technology upgradation
   g) Lack of common technology standards for mobile banking
   h) Sustaining healthy bottom lines and increasing shareholders value

CASE STUDY

Rapid implementation of smart phones and tablets require an effective response by global wealth managers. Advisors as well as clients will be ambitious for the capabilities these new consumer devices provide in managing investments — Gartner.

The Tablet based Private Wealth Management advisory application of Happiest Minds Technologies makes the maximum of the iPad’s hands-on interactive features. The application design features off-the-shelf methodology combined with design customization that helps to balance perfectly well with the underlying Wealth Management resolution of the bank.

Practice of tablets by advisors; enable their clients to have a healthier intuitive and richer digital interaction leading to improved customer experience. The tablet based application enables to create relaxed navigation leading to improved browsing knowledge unlike the legacy desktop application. The advisory app solution also features Peer to Peer (P2P) communication that can improve the customer experience. Tablets are increasingly being observed as productivity tools. The tablet can be a manager driving automation in the middle and back offices of a bank. It can play a massive role in straight through processing (STP) of transactions with minimal manual involvements. Usage of tablets by wealth management firms in advisory services allows advisors to respond quicker to client's needs by dealing out trade requests even when they are away from office. The Tablet based advisory application allocates a portfolio from a list of model portfolios based on the risk profile of the investor. The risk versus return situation for a portfolio can be observed using risk charts that are populated along with each portfolio. Other instruments that could improve efficiencies of the advisory services include payment capture using card scans, Cheque captures and document scans that reduce paper work. Client experience can be improved by a diversity of innovative features like pushing alerts and
client dashboard/ Key Performance Indicators (KPI); providing consultants with client items that require extraordinary priority attention.

**CONCLUSION**

The Banking sector is now observing a new wave of evolution with innovations in the space, especially with the production of prepaid wallets. Indian Banking Industry has displayed significant resilience during the return period. The second generation returns will play a vital role in further establishment of the system. Indian banking system will further develop in size and complexity while playing as a significant role as agent of economic growth and intermingling different sections of the financial sector. It is sure that the future of banking will offer more cultured services to the customers with the continuous product and process modernizations. Adoption of rigorous prudential norms and higher capital standards, better risk management systems, adoption of universally accepted accounting practices and increased disclosures and transparency will safeguard the Indian Banking industry saves pace with other advanced banking systems. Finally the banking sector will need to lead a new business model by building management and customer services. Banks should contribute concentrated efforts to render better services to their customer. Nationalized and commercial banks should monitor the Recent trends and to get advantage of openings in changing banking scenario.

**REFERENCES**

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