



# DIGITAL BANKING IN INDIA: AN OVERVIEW

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## ABSTRACT

Today's era is the digital age. The digital age has made all the work very easy for us. The rise of digital banking has also happened due to the digital age. Or should you say that if the digital age had not come, then today there would be no digital banking? Digital banking has become a part of our life. In this paper, we will know what is digital banking and how much it is growing in India. For growth, we have taken data from the RBI report. In, this we will see what are the products of digital banking. Then we will see what are the benefits of digital banking. After this, we will know what is the problem of digital banking. What is the problem in India? We all know this. This paper will be helpful, for all those who want to know about digital banking. Digital banking plays an important role in the economy of our country. Ever since it has come, many people have had a big interest in banking. what problems e-banking is facing in India?

India is such a country, that more than half of its people live in the villages. There is not such a good network facility in the village of India. This thing is not good for digital banking, however, the efforts of the government are going on that how to connect everyone to the internet. Apart from this, people in India are away from e-banking even when they are less educated. They are afraid that some fraud may happen to them. This paper of ours DIGITAL banking will discuss all these things, how some people are taking advantage of DIGITAL banking and some people are still away from it. Even today many people in India avoid digital banking.

**KEYWORDS:** Digital Banking, RTGS, NEFT, UPI, Meaning of Digital Banking, Merits of Digital Banking, Plastic Money, Net Banking

## INTRODUCTION

For a country, its banking system is very important. A country cannot progress without banking. If the government brings any of its plans, then banks play an important role in it. It is the job of the bank to send money to the government and the government to send money to the people. India is a developing country, only then it can be fully developed. When the banking system here will be right. Now banking is taking a digital step in India. Digital banking in our country is not from today but from a long time ago. In 1998, icici first started internet banking in India. Today we are living in the digital world, so our work is also becoming digital. Before talking more about digital banking, let us understand its meaning in a little easy language. All the work of our bank that we do through the internet without visiting the branch is digital banking. Such as payment transactions, paying bills online, checking the balance online, downloading bank account statements, etc. All these works come under digital banking. As we have seen digital banking started long back in India. But in our country, it could not be digested properly by the people. The biggest reason for this was the lack of internet. It was not everywhere in India and people did not even need it. When demonetization happened in our country. So the people standing in the long line in the bank then realized how important digital banking is. Then we got to see that people used ATMs a lot.

Apart from this, we saw the increasing use of applications like PAYTM Phonepay. The Reserve Bank is working to ensure that there are at least cash transactions. The RBI is working hard to get the country to go digital on a massive basis. The bank has stressed the country's payment system. He has also considered security in this regard. As a result, the bank has done an excellent and adaptable job. As a result, e-banking will be safe and successful. After demonetization, e-banking has entered a new phase. We may say that the Indian people have been aware of e-banking since demonetization. People learned to go cashless here, and the Indian government has also introduced programs such as BHIM UPI. It has done a fantastic job of making it huge by publishing it.

**According to The Editors of Encyclopaedia Britannica<sup>1</sup>** Use of computers and telecommunications enable banking transactions to be done by telephone or computer rather than through human interaction. Its features include electronic funds transfer for retail purchases, automatic teller machines (ATMs), and automatic payroll deposits and bill payments. Some banks offer home banking, whereby a person with a personal computer can make transactions, either via a direct connection or by accessing a Web site. Electronic banking has vastly reduced the physical transfer of paper money and coinage from one place to another or even from

one person to another.

2. Digital banking involves the digitization of all traditional banking products, processes, and activities to serve customers through online channels

**According to Business Jargons<sup>3</sup>**, DIGITAL banking is a blanket term used to indicate a process through which a customer is allowed to carry out, personal or commercial banking transactions using electronic and telecommunication networks. It is a product offered by banks that facilitates online banking, with the help of which the customer can have access to the bank account in just one click. E-banking covers facilities such as – fund transfer, checking account statements, utility bill payments, the opening of a bank account, locating the nearest ATM, obtaining information on financial products and services, applying for loans, etc. using a personal computer, smartphone, laptop, or personal digital assistant

**According to Shilpan Vyas<sup>4</sup>** Digital banking is a borderless entity permitting anytime, anywhere, and anyhow banking. This facilitates us with all the functions and many advantages as compared to traditional banking services. During this step of the process, controls that could mitigate or eliminate the identified risks, as appropriate to the organization’s operations, are provided. The goal of the recommended controls is to reduce the level of risk to the IT system and its data to an acceptable level

**According to Shukla R.<sup>5</sup>** DIGITAL banking constitutes an electronic alternative network of payments and benefit of services. The need for the action of electronic alternative channels

has been distinguished well in advance by the foreign banking organizations, which relied mainly on the outburst that was observed in the use of the internet. The benefits are many, both for the customers and for the banks. The banks that are activated on the Internet are susceptible mainly to the systematic, law part and the reputation risk is, and the customers of the electronic banking channel are puzzled concerning the subject of the safety of their transactions and personal data. This report aims not only to analyze the meaning of electronic banking and to present all the alternatives providing banking service networks but also to focus on the advantages and the risks that the growth of electronic banking has brought about.

### GROWTH IN DIGITAL PAYMENT

The payment systems recorded a robust growth of 26.2 percent in terms of volume during 2020-21 on top of the expansion of 44.2 percent in the previous year. In terms of value, the contractionary trend which started in the previous year (-1.2 percent) got further amplified and witnessed a drop of 13.4 percent, mainly due to lower growth observed in the large-value payment system, viz., Real Time Gross Settlement (RTGS) system and decrease in transactions of paper-based instruments. The decline in the value of transactions in RTGS is largely attributable to the subdued economic activity. The share of digital transactions in the total volume of non-cash retail payments increased to 98.5 percent during 2020- 21, up from 97.0 percent in the previous year<sup>6</sup>

### All PAYMENT DATA

**Table.1: Payment System Indicators – Annual Turnover (April-March)**

Item	Volume (Lakh)			Value (₹ Crore)		
	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21
1	2	3	4	5	6	7
A. Settlement Systems						
CCIL Operated Systems	36	36	28	11,65,51,038	13,41,50,192	16,19,43,141
B. Payment Systems						
1. Large Value Credit Transfers – RTGS	1,366	1,507	1,592	13,56,88,187	13,11,56,475	10,55,99,849
Retail Segment						
2. Credit Transfers	1,18,481	2,06,506	3,17,852	2,60,90,471	2,85,62,857	3,35,22,150
2.1 AePS (Fund Transfers)	11	10	11	501	469	623
2.2 APBS	14,949	16,766	14,373	86,226	99,179	1,12,747
2.3 ECS Cr	54	18	0	13,235	5,145	0
2.4 IMPS	17,529	25,792	32,783	15,90,257	23,37,541	29,41,500
2.5 NACH Cr	8,834	11,290	16,450	7,29,673	10,43,212	12,32,714
2.6 NEFT	23,189	27,445	30,928	2,27,93,608	2,29,45,580	2,51,30,910
2.7 UPI	53,915	1,25,186	2,23,307	8,76,971	21,31,730	41,03,658
3. Debit Transfers and Direct Debits	4,914	7,525	10,456	5,24,556	7,19,708	8,72,552
3.1 BHIM Aadhaar Pay	68	91	161	815	1,303	2,580
3.2 ECS Dr	9	1	0	1,260	39	0

3.3 NACH Dr	4,830	7,340	9,630	5,22,461	7,18,166	8,68,906
3.4 NETC (Linked to Bank Account)	6	93	650	20	200	913
4. Card Payments	61,769	72,384	57,841	11,96,888	14,34,814	12,93,822
4.1 Credit Cards	17,626	21,773	17,641	6,03,413	7,30,895	6,30,414
4.2 Debit Cards	44,143	50,611	40,200	5,93,475	7,03,920	6,62,667
5. Prepaid Payment Instruments	46,072	53,318	49,392	2,13,323	2,15,558	1,97,695
6. Paper-based Instruments	11,238	10,414	6,704	82,46,065	78,24,822	56,27,189
Total – Retail Payments (2+3+4+5+6)	2,42,473	3,50,147	4,42,229	3,62,71,303	3,87,57,759	4,15,12,514
Total Payments (1+2+3+4+5+6)	2,43,839	3,51,654	4,43,821	17,19,59,490	16,99,14,234	1471,12,363
Total Digital Payments (1+2+3+4+5)	2,32,602	3,41,240	4,37,118	16,37,13,425	16,20,89,413	14,14,85,173

Note: 1. RTGS system includes customer and inter-bank transactions only.  
 2. Settlements of CBLO, government securities, and forex transactions are through the Clearing Corporation of India Ltd. (CCIL). Government Securities include outright trades and both legs of repo transactions and triparty repo transactions. With effect from November 5, 2018, CCIL discontinued CBLO and operationalized triparty repo under the securities segment.  
 3. The figures for cards are for payment transactions at the point of sale (PoS) terminals and online.  
 4. Figures in the columns might not add up to the total due to rounding off of numbers.  
 Source: RBI.

<https://m.rbi.org.in/Scripts/AnnualReportPublications.aspx?Id=1322>

### PRODUCTS OF DIGITAL BANKING

- 1. UPI** In India came in 2016. Inside this, we can have multiple bank accounts in one application. It has a real-time settlement. In this, we have to create a UPI pin. Which we can make with the help of an ATM. There are many UPI apps in India like pay, phone pay, Bhim UPI, etc.
- 2. Debit Card** This is a card with the help of which we can withdraw money from our bank account. That too without going to the bank. With the help of this, we pay bills online. There are many debit card companies like master card, visa card, and Rupay card.
- 3. Internet Banking** Net banking On Net Banking, we can do payment transactions through the Internet. Through this, we can pay all the bills, etc. In this, we are given a user ID and password by the bank. With the help of which we log in.
- 4. NEFT** With the help of NEFT, we can transfer funds from one account to another. Within this, the balance is cleared based on half an hour.
- 5. RTGS.** RTGS is also a way to transfer funds. Just inside this, we do transactions above 20000. There is instant settlement inside it.
- 6. ATM** ATM is also a tool for digital banking. With the help of this, we can withdraw money. You can check your account balance.
- 7. Mobile Banking** Within mobile banking, the bank gives us its app. In which there are options like app EPASSBOOK etc.

### ADVANTAGES OF DIGITAL BANKING

- 1. Time:** Ever since the rise of digital banking. Since then work has become very easy. If work becomes easy then it saves our time. Because all the work has started happening fast.
- 2. 24 HOURS SERVICE** Ever since the advent of digital banking. We get full 24 hours service. We can do banking transactions whenever we want
- 3. Less Black Money** Ever since all the transactions have started going online, the details of all are easily available to the government. By which black money can be easily traced.
- 4. Cashless Economy** With the advent of digital banking, all our work has been done online. Whether we have to make any payment or pay any fee.

### CHALLENGES

We live in the country of India. There are different types of people in all four directions, whose language and language are different. If we bring something new here, it is opposed first. When the first ATM came to our country. So we had seen how the opposition parties had opposed it. By saying that if the ATM will do all the work, then the people working in the bank will become unemployed. There are still many people in India who do not know how to write and write. So they cannot even understand digital banking. This is the biggest problem in front of the government as well, how to bring them into this.

Apart from this, ever since digital banking has come. Since then, hackers have become more active on the Internet. These people do fraud by creating a fake website of the bank. Here people give their PIN, from which hackers withdraw their money.

Apart from this, these people also resort to fake calls, in which they become bank people and take their information from the customers and withdraw all their money. There is a lot of time like this in India. Given all these things, many people avoid digital banking. The government should reduce all these. This is not an easy matter for the government. But the CIBER cell is still working.

Everyone says that real India lives in villages. Many people live in villages in India. Right now there is not a lot of internet in our country, proper network does not come. The internet is far away in rural areas. There the phone's network remains low anyway. So in such a situation how will those people be able to do digital banking? The government should make the network system right. And make internet rates cheap. So that everyone can use digital banking

## CONCLUSION

As we have seen, the banking system plays a major role. A country cannot develop without banking. And the development of banking will happen only when the government will feed it to all. For this, the government resorted to digital banking. Digital

banking is when we do the work of the bank digitally i.e. through the internet without going to the bank. We understood the meaning of digital banking in this paper. With this, we saw from which products of digital banking are there. In which we saw RTGS, NEFT, UPI, ATM, etc. Then we saw what are its challenges in India. In this, we know how fraud happens.

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