



## DIGITAL BANKING AND FINANCIAL INCLUSIONS

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### ABSTRACT:

Online banking is one of the most important developments in the banking industry in its long history. However, despite the many benefits that online banking offers to its customers, marketers in the online banking sector also have many major concerns and challenges. Traditional banking practices, security, technical issues, transaction difficulties, and small marketing budgets are all major challenges that online banking marketers need to balance if they want to succeed in this area. However, the demand in this industry is still very strong. Therefore, online banks may continue to be more sophisticated and successful as they strive to solve their marketing challenges. However, despite the benefits of online banking, there are also some specific issues and challenges in the online banking sector. These are very important for both banks that provide online banking and customers who rely on the effective operation of the bank. Online banking marketers need to understand these challenges so that they can be addressed efficiently.

**Key words:** -*Post-Colonialism, Subaltern Studies, subordination, eurocentrism, Nationalism, Marxism, etc.*

### INTRODUCTION:

The banking sector is the backbone of every economy, whether developed or emerging. Plan and implement economic reforms. Changes in this sector due to the introduction of technology will have a significant impact on economic growth. Banks today are looking for unconventional ways to offer and differentiate multiple services. Both corporate and individual customers are no longer willing to line up at banks or wait on the phone for basic banking

services. They need and expect facilities to do banking anytime, anywhere. Plastic Money (Credit Cards, Debit Cards, Smart Cards); Internet Banking including Wire Transfer, Online Investment, Online Trading Accounts, Wire Transfer and Clearing Services, Branch Networking. Telephone banking; mobile apps and wallets are some of the recent products and services that are serving as a driving force for the growth of the banking sector.

The decision of a bank to add digital solutions at all operational levels has a significant impact on a bank's financial stability. Not all banks can make rapid changes to their IT infrastructure or its architecture, but banks looking to destroy can move to full end-to-end automation in about six months

### **Payment System Growth**

Payment Systems achieved strong growth in 2020-2021. In 2021, the share of electronic transactions increased by 54.6% and 14.9%, respectively, in addition to the increase of 56.0% and 27.8%, respectively. Total retail payments increased from 88.9% in the previous year to 94.6% in 2020-2021, and correspondingly, the share of paper-based clearing institutions decreased from 20.1% in 2020 to 9.4% in 2021

### **Electronic payment :-**

Electronic payment type, the Real Time Gross Settlement (RTGS) system processed 124 million transactions in 2020-2021. This increased from 108 million transactions in the previous year to \$ 98.2 billion. As of the end of March 2021, RTGS facilities were available through 1,37,924 branches of 194 banks. The NEFT system handled 1.9 billion transactions

valued at around 175 trillion in 2020-2021, up from 1.6 billion transactions valued at 120 trillion in the previous year, registering a growth of 20 per cent in terms of volume and 43.5 per cent in terms of value. At the end of March 2018, the NEFT facility was available through 1,40,339 branches of 192 banks, in addition to a large number of business correspondent (BC) outlets.

During 2020-2021, the number of transactions carried out through credit cards and debit cards was 1.4 billion and 3.3 billion, respectively. Prepaid payment instruments (PPIs) recorded a volume of about 3.5 billion transactions, valued at 1,416 billion. Mobile banking services witnessed a growth of 92 per cent and 13 per cent in volume and value terms, respectively, while the number of registered customers rose by 54 per cent to 251 million at endMarch 2021 from 184 million at endMarch 2021.

The term "digital bank" or DB referred to in this document means a bank within the meaning of the Banking Regulations Act of 1949 (BR Act). In other words, these companies issue deposits, take out loans and provide all the services that the BR Act allows them to do. However, as the

name implies, the DB relies primarily on the Internet and other nearby channels serve, rather than relying on physical branches. However, as a corollary to being a "bank" in the full legal definition, it is proposed that the DB be subject to the same supervision and liquidity standards as existing commercial banks. The creation of a new approval / regulatory framework is proposed as a regulatory innovation, not a regulatory arbitrage transaction. Having said that, DBs offer a differentiated proposition and as such, there is scope for differentiated treatment in adjacent areas of their operation consistent with treating them identically with incumbent commercial banks, in the critical areas of prudential and liquidity risk. A template of a regulatory framework for DBs for India has been given in Section VII below.

### **ISSUES AND CHALLENGES IN THE ONLINE BANKING SECTOR**

The CPMI has released a report titled, `Reducing the Risk of Wholesale Payments Fraud Related to Endpoint Security` in which it has stressed the need for a holistic approach to counter the risk of frauds. The report highlighted the requirement for a coordinated

effort to ensure the safety of wholesale payments that was essential due to the interconnectedness of the financial networks. The elements of the strategy to reduce risks in wholesale payments fraud relating to endpoint security were identified as under:

**Element 1:** Identify and understand the range of risks related to endpoint security that are faced by the participants individually and collectively.

**Element 2:** Establish endpoint security requirements for its participants for fraud prevention, detection and

Element 3: Promote adherence to the respective endpoint safety requirements.

**Element 4:** Provide and use facts and equipment to enhance fraud prevention and detection.

**Element 5:** Procedures and practices ought to be in region to reply to real or suspected fraud in a well timed manner.

**Element 6:** Support ongoing training, consciousness and facts-sharing.

Element 7: Monitor evolving endpoint safety dangers and hazard controls, evaluate and replace the endpoint safety requirements, procedures, practices and resources.

Traditional Banking Habits Despite the blessings of on line banking, forty nine percentage of American adults do now no longer take part in it at all. Consuming to deposit or withdraw cash from a web financial institution. Not handiest do on line banks regularly have fewer ATM`s than their conventional counterparts, however it can also truly take longer quantities of time for deposits to be processed and placed right into a financial institution account. For example, it takes kind of 3-five days for deposits to reveal up in money owed for PayPal, certainly considered one among the most important on line banks. This is an problem that on line banking entrepreneurs will maximum in all likelihood battle with, till on line banks accelerate their transaction times.

Technical Issues Because on line banks depend so closely on their on line structures, which means that they are able to generate massive losses if their structures crash or if there are insects of their code. A unmarried technical problem that reasons a financial institution to be down for an afternoon may want to fee the financial institution hundreds of thousands in losses. It also can wreak havoc for the financial institution clients who won't be capable of make

bills or behavior transactions at some point of the time that the webweb page is down. fifty four percentage of customers now use a cell banking app. So, it's far the important thing now no longer only for banks to have their on line structures strolling smoothly, however also, their cell apps. A lack of price range or information because of a crash is some thing that may be very worrisome for financial institution clients. So, entrepreneurs ought to prioritize assuaging this fear through explaining how account price range will now no longer be misplaced if technical troubles occur. Small Budgets Many startups should function on shoestring advertising budgets earlier than they develop to a bigger size. Obviously this may be a main challenge.

#### **OPPORTUNITIES IN THE ONLINE BANKING SECTOR DISC:-**

Customers The blessings of the DISC clients are that they're geared up sponges for virtual answers. We are not in an generation in which we should give an explanation for the fundamental technology that force our virtual offerings. The post-loyalty DISC client is likewise in search of to lessen human-primarily based totally assist in favour of virtual: self assist. This

all over again opens up the canvas for banks throughout product design, carrier transport, and client support. Leveraging the electricity of Social In Face ee-e book has 2.2 billion month-to-month energetic clients, the jaws dropped. What's greater notable is that Facebook is handiest the end of the iceberg in terms of social. The gold mine is the usage of social generation for leveraging inner capabilities. Organizations which might be capable of perceive this and arrange efforts round this may see large dividends.

The proper time and the proper region Whilst there's a lot greater to be stated approximately the demanding situations and possibilities for banking withinside the virtual generation, specifically in India, right here are a few critical possibilities The biggest penetration of cell infrastructure than that we ought to seize: Government and regulator had been selling theever earlier than. The start-up equipment of India, specifically the improvement of a robust virtual economy.FinTech boom, has given a risk to all banks and NBFC to connect to agile and excellent start-ups Online banking offerings furnished in phrases of ATMs, and take those answers to their clients. Debit Cards, Credit

cards, Phone Banking, Mobile Banking , Internet Banking etc.,. One 0.33 of the clients are the usage of Debit Cards while as compared to all different offerings. Government projects for an inclusive boom Financial inclusion is in all likelihood to stay excessive at the authorities's time table over the subsequent decade. Over the ultimate numerous years, many projects had been step by step released for its propagation.

### **`Digital India`**

The `Digital India` initiative, coupled with a bills infrastructure, is laying the cornerstone for a virtual economy, maintaining in thoughts the growing willingness of humans to apply the net, and the growing information visitors withinside the country. (Refer to graphs below) The imaginative and prescient of the initiative, as mentioned through the Government of India, focusses at the provision of infrastructure as a software to each citizen, virtual empowerment, offerings on call for and governance

The effect of `Digital India` through 2021, as envisaged withinside the imaginative and prescient report posted through GoI, has to date led to:05 An funding of USD.four billion to offer ultimate mile net connectivity, higher get admission to to authorities offerings, and

improvement of IT skills Setting up of a pan India fibre-optic community through June 2021 Provision of Wi-Fi offerings in towns with a populace of multiple million, in addition to important traveller centres

- Provision of broadband net get admission to 250,000 village clusters through 2021 at a fee of approximately USD5.nine billion
- Availability of `virtual lockers` to every citizen, letting them keep all their authentic identity files and records
- Development of one hundred clever towns in India, for which USD1.2 billion has been allocated
- Universal telecellsmartphone connectivity
- Setting up of 400,000 net get admission to points
- Digital inclusion concentrated on activity introduction for almost 1.7 crore humans educated in IT, telecom and electronics
- Creation of at the least 8.five crore oblique jobs associated with IT
- Focus on transferring closer to automation in transport of presidency offerings
- Achievement of a management role in IT closer to betterment of health, training and banking offerings

- Widened net get admission to and an enabled use of shareable non-public area on a public cloud version so as to empower residents digitally

#### **Digitisation traits and possibilities:-**

Consumer behaviour is converting closer to fast adoption of digitisation As the marketplace has been uncovered to revolutionary virtual-primarily based totally offerings which have been disruptive in nature (e-trade gamers and e-governance offerings), it's far

#### **`Aadhar` card**

The technologylevered `Aadhar` programme is likely to be the biggest disruptor in financial inclusion delivery, as innovations leveraging the `Aadhar` card are expected to assist in broadbasing the access and acceptance by financially excluded segments. An `Aadhar` card provides a 12digit individual identification number, issued by the Unique Identification Authority of India (UIDAI), to serve as a proof of identity and address. This card is based on biometrics technology. In addition, the `Aadhar` Enabled Payment System (AEPS), an open platform which is a bankled model, allows online interoperable financial inclusion transaction at

points of sale (MicroATM) through the business correspondent of any bank using `Aadhar` authentication. Over 880 million `Aadhar` cards have been issued as on 21 July 2015. The programme aims to achieve 100 per cent coverage by 2016.06 Following are some innovative initiatives based on demand side drivers that the `Aadhar` programme is expected to propel.

#### **Direct benefits transfer (DBT)**

The scheme was initiated to facilitate disbursements of government entitlements such as those under the National Rural Employee Guarantee Act (NREGA), social security pension scheme, handicapped old age pension scheme, etc. of any central or state government bodies, using `Aadhar` and authentication thereof, as supported by UIDAI.

#### **Retail banking:**

The provision of these services is expected to encourage electronic retail payments and facilitate interoperability across banks in a safe and secured manner. Creation of a commercially viable rural banking and financial inclusion model

This is likely to provide a cost-effective model for dispensing last mile access by leveraging AEPS

for biometric identification, using bank technology interfaces for smooth delivery of services. Analytics `Aadhar` data is likely to create a huge opportunity for leveraging analytics for customising services and offerings. The `PradhanMantri Jan DhanYojana` (PMJDY), `PradhanMantriBimaYojana` (PMBY), the launch of `PradhanMantri` Micro Units Development and Refinance Agency Ltd (`MUDRA Bank`) focussing on SME financing needs, launch of Differentiated Banking Licence (which also includes payments banks) as well as common service centres are other prominent initiatives that have generated a lot of interest from market participants and have delivered on several fronts. For instance, while 10.21 crore rural accounts and 6.71 crore urban accounts have been opened as on 21 July 2015 under PMJDY, there has been a rollout of 1,33,847 common service centres (egovernancecentres) in the country as on 31 March 2021.

Increasing mobile penetration and smartphone usage Mobile penetration of around 90 per cent is likely to drive financial literacy as well as inclusion, as players are betting on mobile-based financial services. An increased smartphone proliferation, projected at 50 per

cent by 2020, and falling handsets costs are likely to increase acceptance, better servicing as well as security

### CONCLUSION :

Banking and financial services have always been extremely formal in nature, and for good reason. They say “money makes the world go round”, and even if the line was intended to be cynical, it remains true for at least all the businesses. Things are, however, rapidly transforming in the digital era. It is as important that the banks remain as transparent, as their customers remain authentic. The main objective behind integrating banking services with technology is, undoubtedly, convenience. Technology has now become familiar to most individuals, to an extent that it influences their lifestyle. It, then, becomes vital for businesses to distinguish themselves in the digital space with unique offerings. Security remains part of the core services that banks can offer, and for this reason, the interfaces with simplicity work best. More customers are acclimatizing to mobile platforms, and more users are using online platforms at a much younger age. Due to these reasons, there is an undoubted power that can be leveraged through digital channels. In order

to tap into the power of digitization, however, there are a number of challenges that need to be overcome.

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