

Review Article

Growth of Digital Banking in India

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Abstract

The growth of financial services in India has largely been led by the banks, changing in banking services makes the great changes in the economy of India. By digitalisation of banking system, the banking services are more easy to use for customers and there is no need to queue in banks for the basic banking services, the customer can use banking services from anywhere. With the help of digital banking the more customers are able to use banking services and this creates the remainder growth in the Indian economy. The banks provide digital banking services through mobile, internet banking, credit cards, debit cards, UPI, NEFT, IMPS etc. The study focuses on the growth of digital banking from last 5 years and also tells about the different type of digital transactions

Keywords- digital banking, digital payments, card payments, online banking

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Introduction

Digital banking is banking or financial services service through which the banks provide products and services to their customers with the help of electronic channels like mobile internet is the ATM NEFT RTGS etc. Digital banking plays very important role in banking industry in India and also in the whole world. It provides the rapid growth to the banks. The world economy is growing fastly so to meet that fast economy Indian Bank started providing quick banking services so that customers can withdraw cash easily, transfer money in one click, pay bills, open accounts online and can invest also with the help of digital banking. This fast growing banking sector give boost to

our Indian economy. During and after the COVID 19 period, the use of digital banking increases customers of banks started using internet banking, doing transactions through UPI, mobile banking and more uses of ATMs.

Digital banking is also known as electronic banking or home banking and it includes a number of banking activities which a person can do from anywhere.

Various digital transactions mode-

1. Banking cards –credit cards, debit cards
2. Aadhar enabled payment system (AEPS)
3. Micro ATMs
4. Unified payment interface (UPI)

5. Mobile wallets
6. Banks prepaid cards
7. Point of sale (POS)
8. Internet banking
9. National electronic fund transfer (NEFT)
10. Real time gross settlement (RTGS)
11. Immediate payment service (IMPS)
12. Mobile banking.

Review of literature-

Debashish Naskar (2020), in their research paper he describe about the concept of digital banking, evolution of digital banking in India, the effect of demonetisation in the digital banking growth, need for digital banking in India. The study focus on the emergence of digital banking system in Indian economy and describe the usage of digital payment with the help of graphs on retail electronic payment, uses of debit and credit cards at POS terminals. This study concluded that the digital innovations are giving wings to fly to the banking sectors but there is a still long way to cover.

Pooja Malhotra and Balwinder Singh (2009), they describe India research paper about the impact of internet banking on Bank performance and risk. They discuss about the current status of internet banking in India. They use secondary data for the research and collected data collected data from 85 scheduled commercial bank's websites. They concluded that nearly 57% of Indian commercial banks are providing transactional internet banking services.

Archana Pandey (2018), this study focuses on E-Banking services and the research was conducted on a sample size of 150 people from Jabalpur using SBI's internet banking. The analysis tells that most of the users like the new services

especially bill payment, fund transfer , ATM and credit card services etc.

It was concluded that the bank staff should continuously be provided with training in this aspect.

N. Saravanan and Dr. R. Leelavathi (2020), this paper has identified the different dimensions of internet banking service quality in Chennai district. The survey was conducted for data collection. Respondents were taken from SBI and Indian Bank from Chennai. Non probability sampling design and convenient sampling technique was used on the data collected through both primary and secondary sources. Study find out that efficiency privacy and website design are the dimensions which contribute most towards customer satisfaction.

VardaSardana and ShubhamSinghanian (2018), the paper reviews the theoretical literature on the growth of digital banking in India. They described about in detail about the evolution and digital transformation of the banking sector and scope of digital banking. They analysed the digital banking in both the prospective of customers and the banks. This review concluded that the banks need to balance their traditional physical presence with digital presence and increase digital awareness among customers.

Objectives of the study-

1. Evaluate digital banking services.
2. Find out the growth of digital banking in India from last 5 years.
3. To analyse if the digital banking increases the use of banking services.

Research Methodology and Data Sources

The research paper is based on descriptive research design. Secondary data sources collected mainly from the RBI website and various research papers, reputed journals, magazines and library of M.J.P. Rohilkhand University, various annual report published by government of India and reserve Bank of India.

Growth of Digital Banking in India

Based on the data from the RBI, we see the following growth of digital payments in India-

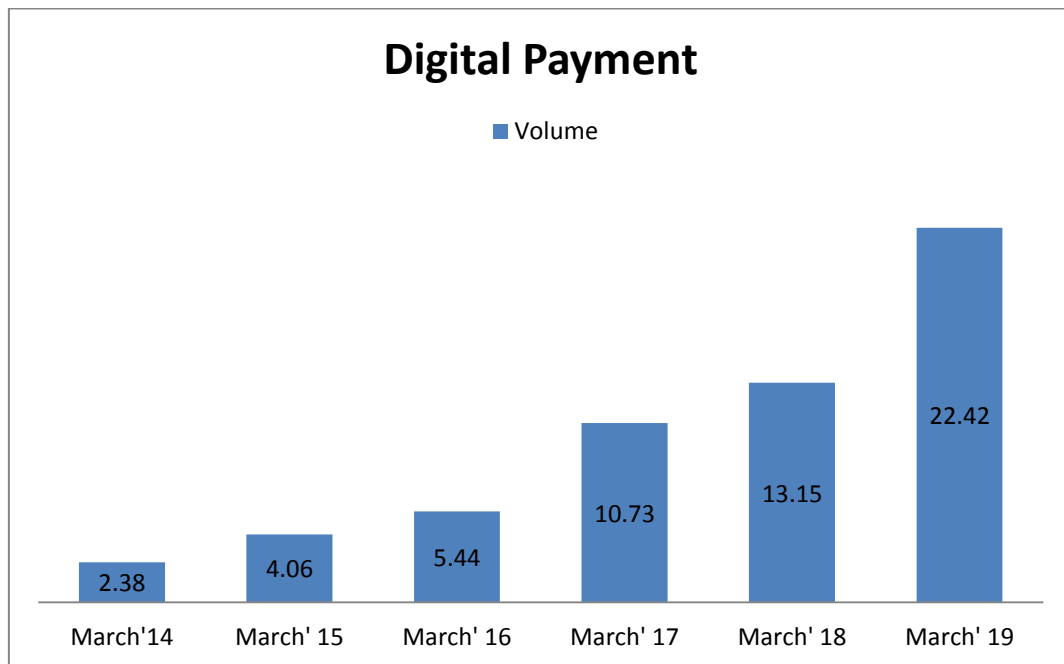


Figure 1 Digital Payment Per Capita India

This figure has shown significant growth in digital transactions from 2.4 to about 22 per capita per annum in 5 years.

The report of RBI has shown the following volume and value of different digital banking payment systems, it shows the 5 years data of payment system-

Figure 2 Payment System Indicators – Annual turnover (April – March)

Item	Volume(Million)					Value (Billion)				
	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17	2017-18	2018-19	2019-20
1. RTGS	98.3	107.8	124.4	136.6	150.7	8,24,578	9,81,904	11,67,125	13,56,882	13,11,565
2. NEFT	1252.9	1622.1	1946.4	2318.9	2744.5	83,273	1,20,040	1,72,229	2,27,936	2,29,456
3. IMPS	220.8	506.7	1009.8	1752.9	2579.2	1622	4116	8925	15902	23375

4.UPI	-	17.9	915.2	5391.5	12518.6	-	69	1098	8769	21317
5.CREDIT CARDS	785.7	1087.1	1405.2	1762.6	2177.3	2407	3284	4590	6034	7309
6.DEBIT CARDS	1173.6	2399.3	3343.4	4414.3	5123.9	1589	3299	4601	5935	8049
7.PPIs	748.0	1963.7	3459.0	4607.2	5331.8	488	838	1416	2133	2156
TOTAL DIGITAL PAYMENTS	4279.3	7704.6	12203.4	20384	30626	913957	1113550	1359984	1623591	1603227

The payment and settlement systems recorded a tremendous growth during 2019-20. The above table shows the growth in volume and value of almost every type of digital payment services, the data is increasing year by year. RTGS, NEFT, UPI, Card Payments, PPIs (Prepaid Payment Instruments) etc. all payment instrument showing record growth in last 5 years. UPI services was started in 2016-17 financial year and its volume recorded that year was 17.9 million but in 2019-20

financial year its volume goes up to 12518 millions, it is such a very high growth. To better understand the growth of different payment system the following charts has been prepared.

Growth in NEFT Payments – National Electronic fund Transfer (NEFT) is a facility to transfer funds across all computerized branches of banks. The following chart is showing the growth in volume of customer transactions from April 2015 to March 2020-

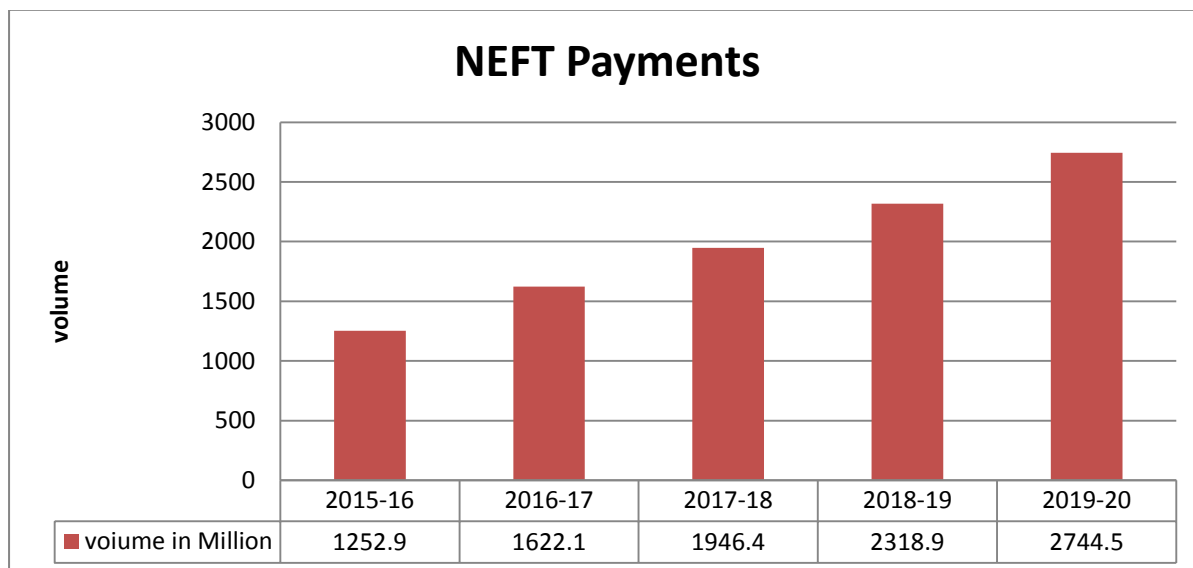


Figure 3

The above chart is showing that in 2015-16 the volume of transactions were 1252 million and after this the volume is continuously increasing and in March

2020 it is recorded 2744 million approx, almost double the volume in 5 years.

Growth in UPI's Payments- Unified Payment Interface (UPI), the BHIM UPI

platform, it is easily used by the application in smart phones with the help of internet. Some UPI APPs are Google

pay, Phone Pe, Paytm etc. The following chart is showing the volume of transactions in 5 years-

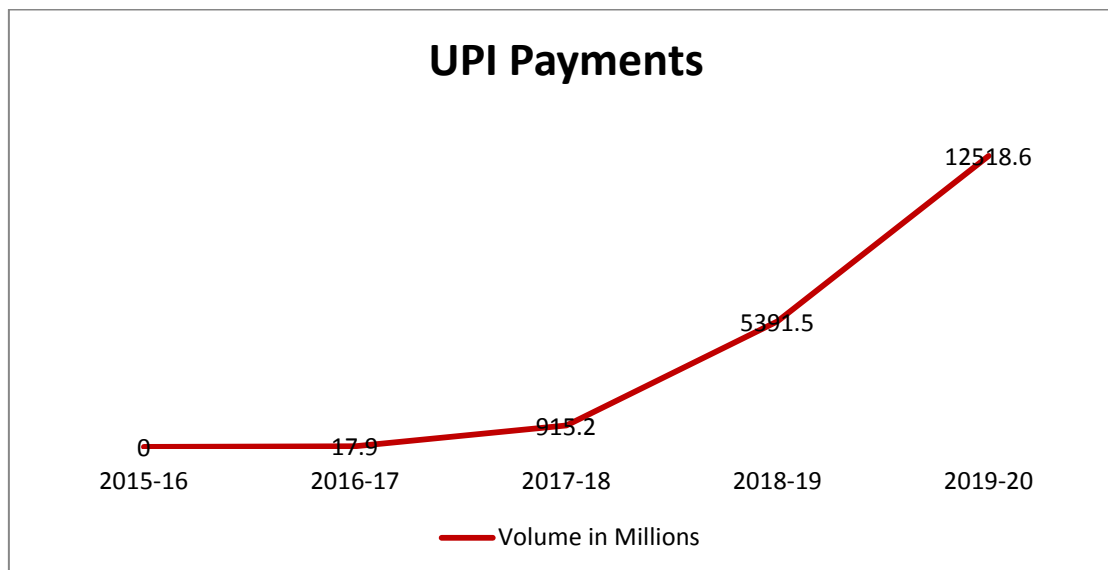


Figure 4

The above chart is showing the tremendous growth in UPI payment services in last 5 years, the UPI is started in 2016 than in March 2017 its volume of transaction was recorded 17.9 million after that it is growing very fastly than any other payment services. In March 2019 its volume of transaction was recorded 5391.5 million and just after one year it's become more than double and that is 12518.6 million in March 2020.

Growth in Credit cards Payment- the following chart shows the growth in credit card usage for payments in last 5 years.

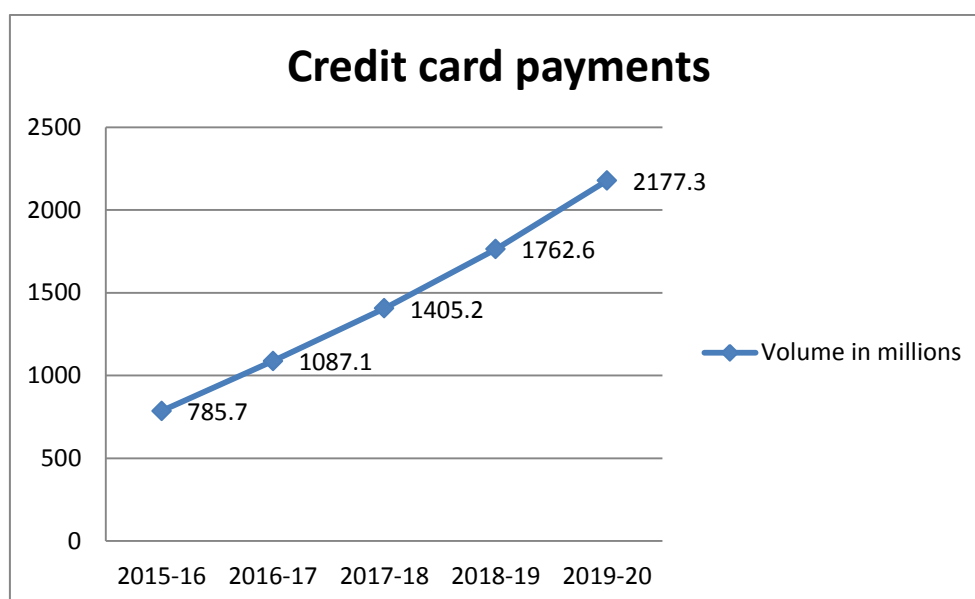


Figure 5

The above chart is showing the volume of the customer transaction using credit cards from April 2015 to March 2020. We can see in the chart that till 2019-20 the usage of credit card is almost 3 times increased than in 2015-16.

Growth in Debit Card Payment- the following chart shows the growth in debit card usage for payments in past 5 years.

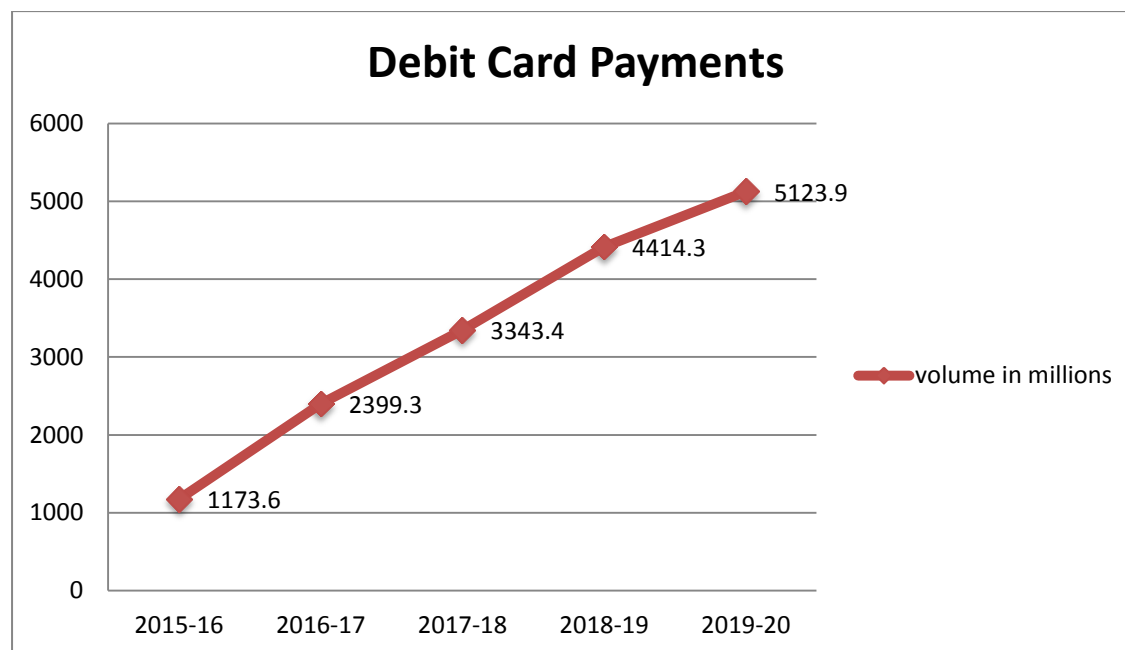


Figure 6

The above chart shows the uses of debit card from April 2015 to March 2020. Above chart shows that in 2019-20 the customer transactions using debit card has been increased almost 5 times than it was in 2015-16.

Conclusion

The Reserve Bank of India has been taking many initiatives for encouraging digitalisation of payment in the country. The results of these initiatives shows the tremendous increase in the digital payments. The banking services has started shifting from traditional banking based on paper and making queue in the banks to cashless or digital banking which can be operate anywhere. Digital banking has improved the number of banking services

users and helps in the growth of banking and our Indian economy. But for the encouragement of more and more customers to use digital banking, the banks should be open to access and accept cost effective safe and secure payment technology for the customers. With the improvement of payment technology we can expect digital banking services to reach its peak.

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