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OPPORTUNITIES AND CHALLENGES IN E-BANKING SERVICE IN DIGITAL ERA

DR.L.SENTHIL KUMAR Assistant Professor (Department of Commerce),

KEERTHIVASAN S, SATHYAPRIYA R (II-M.COM)

Sri Krishna Arts and Science College /Bharathiar University, India)

ABSTRACT

Another word often used interchangeably with electronic banking is "digital banking". Both words are used equally often. However, strictly speaking, banks rarely or do not use paper money. However, the use of paper money is still widespread. Today's ATMs are an important part of the banking system because they allow consumers to withdraw money when needed. In the digital economy, there are almost no monetary transactions. Cash is often thought of as something that is free. But using cash is expensive. Foreign exchange spending is discussed in a Harward Business Review research article titled "Countries that would benefit most from a cashless society." Consumer expenses (like ATM fees, foreign exchange commissions, etc.) are included in cash costs. Because, To analyze the impact of CBDC concerns on the global environment, Dong (2021) studied statistical models. If CBDCs are the only method of capturing value, then higher interest rates cannot lead to financial disintermediation. Due to the complementarity of these deposits and the deposits offered by CBDCs, banks and companies will lend more money and invest more in them. The central bank has asked banks and non-banking financial companies (NBFCs) to ensure that digital lending applications (DLA) do not automatically increase credit limits and access to resources their mobile. borrower. RBI said borrowers must be given time to review or seek exit from the digital loan by paying the principal and corresponding Annual Percentage Rate (APR) within this period without incurring penalties in 'Guide to digital lending' for regulated institutions or RESs (banks). and NBFC). However, it is still unclear how CBDC will actually affect the banking industry and the economy. Ten of the eleven countries that have introduced official digital currencies are small nations in the Eastern Caribbean, including Jamaica and the Bahamas. In October 2021, Nigeria became the only major country to introduce CBDC for retail. Therefore, the RBI will have to introduce CBDC and conduct pilot testing very carefully. Banks' operating costs have been significantly reduced thanks to digital banking. With this, banks can now offer better deposit interest rates while charging lower service fees. Bank profits increased due to reduced operating costs. Conclusion: Indian banks still have a long way to go before adopting technology at par with banks around the world.

Keywords: Digital Banking, Digital Currency, Blockchain Technology, Digital Retail Lending

INTRODUCTION

The world we live in is always evolving; it undergoes changes every day, forcing us to modify our lifestyle. Every once in a while, a new idea, technology or invention comes into our lives and causes a change in the way we live. Our lives today revolve around technology, which has a significant impact on every aspect of it. As time passes, we become more and more dependent on technology for our daily needs. The Internet is certainly the technology that has changed the world in the last 50 years, if we had to choose only one. Almost all inventions and innovations have focused on the use of the Internet since its introduction and subsequent widespread acceptance and use. The world of computerized media has undergone an unprecedented upheaval thanks to the Internet. It is both a global dissemination medium, a method of information transmission, and a platform for local cooperation and computer interaction. The Internet is one of the best examples of the benefits of persistent investment and dedication to research and development of information infrastructure. The way business is done has been fundamentally transformed by Internet and technology. The way customers perceive companies has also changed. People expect businesses to not only provide high-quality goods and services, but also to do so quickly. Businesses must take proactive steps and continuously innovate to meet growing consumer expectations, increase market competition, and thrive in a world of technological advancement. The financial sector plays a very important role in the economic growth of a country. Therefore, the banking industry can be considered a support system for the economy. This makes it easier to create and maintain a reliable payment system that meets the needs of businesses, governments, and the public. For economy to develop, the financial system must be strong and stable. Today, the Indian banking industry is going through an IT revolution and moving towards digitalization. The way banks and other financial institutions operate has undergone a major change thanks to the Internet. In the late 1980s, information technology was introduced into the Indian banking sector. The IT revolution is currently in its fierce and more important phase, potentially causing disruption not only to the entire banking industry but also to the entire economy. The modernization of the banking industry after the advent of IT and the Internet has greatly helped banks as well as customers. The banking industry has expanded beyond physical locations to include transactions on mobile devices such as smartphones and tablets. The term “digital Banking” can be used to describe the current stage of the banking industry.

DIGITAL BANKING

Electronic banking, commonly known as online banking, virtual banking or internet banking, is a concept with which we are all familiar. This is a system that allows banking transactions, including money transfers, loan repayments and EMIs, as well as cash deposits and withdrawals, to be done online and without the need to visit a bank branch. E-banking customers can use a variety of services including Internet/Net banking, SMS banking, ATM, mobile banking, electronic checks and debit/credit cards.

Another word often used interchangeably with electronic banking is “digital banking”. The two expressions are used synonymously. However, in the strictest sense, digital banking excludes or uses almost all paper money. However, the use of paper money is still widespread. Today's ATMs are an important part of the banking system because they allow consumers to withdraw money when needed. In the digital economy, there are almost no currency transactions. Cash is often considered something free. But using cash comes at a high price. Foreign exchange spending is discussed in a Harward Business Review research article titled “Countries that would benefit most from a cashless society.” Consumer fees (such as ATM fees, foreign exchange commissions, etc.) are included in the cash cost. Besides, There is an implicit cost associated with the time it takes to collect cash, the costs the business incurs in handling the cash, ensuring security and transporting the money to a safe location, the costs that banks and other financial institutions have to bear the brunt of operating and maintaining ATMs, as well as the cost of costs incurred by the government in the form of tax losses and money printing. Compared to all countries, cash costs are higher in India among the highest. Imagine a financial system in which the use of cash is extremely limited. Both the banking sector and customers will benefit from significant cost reductions.

REVIEW OF LITERATURE

Dr. Arunangshu Giri and Ipsita Paria (2018) In the article titled "A Literature Analysis on Effect of Digitalization on Indian Rural Banking System and Rural Economy," The present study focuses on reviewing and summarizing several studies on the impact of digitalization on the Indian rural banking system that have been conducted by various researchers in various parts of the country. . According to the report, the financial inclusion landscape is likely to be changed by digital banking. The study also found that the low-cost and user-friendly features of digital banking can accelerate the integration of the unbanked economy.

K.Hema Divya and K.Suma Vally (2018) "A Study on Digital Payments in India with Perspective on Consumer's Adoption," a piece of writing. Analyzing the extent to which customers have used digital payment systems is the main topic of the study. Respondents from Hyderabad provided primary data. Chi-square analysis was used to examine the data obtained from the questionnaire. Jinendra Kumar Jain, Shraddha Singh and Mohit Agrawal : Opportunities and challenges in...

Fantacci (2021). We have been working on stable coins, whose value is linked to or derived from a major currency. Since changes in central currencies are often rigid, this means that these cryptocurrencies will not prevent rapid movements. Now known as second generation currencies, these cryptocurrencies. While volatility was the main issue with first generation cryptocurrencies, stablecoins have extremely low volatility, which will make these currencies even more important in the future.

Dong (2021). Developed statistical models to examine the impact of environmentally sound CBDCs on a global scale. If CBDCs are the only method of capturing value, then higher interest rates may not lead to financial disintermediation. Due to the complementary nature of these deposits and those offered by CBDCs, banks and businesses will lend more money and invest more in them. By adjusting various ratios, such as the reserve ratio, a country's monetary policy can have an additional impact on these lending and investment ratios.

Sharma (2022). "Analysis of Cryptocurrency: An Ethical Conjecture with Reference to Indian Situation," where the aim of the study is to determine how cryptocurrencies will develop in India and compare them with conventional investment alternatives. Analysts have come to the conclusion that Indians now prefer traditional investments over cryptocurrency investments and this trend is likely to continue over time.

OBJECTIVES OF THE STUDY

This article attempts to highlight the functionality of digital banking in India in general and how it gives users more control over the digital credit system.

The following two goals serve as guiding principles for this document:

• Describe how digital currency will revolutionize cross-border payments and trace its history;

• Describes digital currency (e-rupee) lending to wholesale and retail credit users.

RESEARCH METHODOLOGY

The present essay is above all descriptive. Secondary data for the article was collected from various newspapers, magazines and other published sources. The study concludes with a conceptual discussion of emerging industry trends.

Apart from published information, primary data is not collected due to periodic changes in the electronic structure, rupee lending characteristics and digital currency transactions in India. Hence, in terms of monetary policy management by the RBI, the use of electronic rupee for wholesale and retail transactions.

RECENT TRENDS IN DIGITAL BANKING SERVICES IN INDIA

- **Digitalization :** Banking and financial services in India have to keep up with changes and creating new digital solutions for tech-savvy customers in the face of rapid developments in digital technology. Besides banking, other key sectors affected by the massive digital transformation include insurance, healthcare, retail and commerce. The banking industry must jump on the digital train to stay competitive. With many features like IMPS (Immediate Settlement Service), RTGS (Real Time Gross Settlement) and NEFT Online National Electronic Funds Transfer, modern developments in digital banking system making it easier, simpler, no paperwork, no signatures and no branches. The digitization of in-person and online banking has made banking convenient and accessible at any time. This reduces costs, increases revenue and reduces human error.
- **Mobile Banking :** One of the important developments in the world of online banking is mobile banking. Use your smartphone to perform a number of banking functions, including checking account balances, making deposits, and paying bills, without having to visit a branch. The traditional banking system has been replaced by this trend. To meet customer needs, mobile banking is expected to become more efficient and easier to use in the coming years. Future mobile banking predictions suggest that adoption of voice payment services and the Internet of Things (IoT) are a reality in the future. Smart TVs, smart cars, smart homes, and smart everything all offer voice services.
- **Unified Payments Interface :** As one of the fastest and most secure payment gateways, UPI has completely changed the way payments are processed. The use of mobile phones allows interbank transactions in real time and at any time. In India, UPI payment system is considered the future of retail banking. The Reserve Bank of India oversees UPI, which was established by the National Payments Corporation of India. In 2016, this revolutionary trading system was introduced. Unlike other online banking systems, this system allows you to transfer money 24 hours a day, 365 days a year. More than 50 banks and more than 40 applications support UPI transaction mechanism.
- **Blockchain :** In technology, blockchain is the newest term. It is said to be the building block of future cryptocurrencies and banking and financial services technology. It works on the concepts of computer science, data structures, and cryptography. Blockchain uses technology to create blocks to execute, validate, and record transactions without allowing modification. India Chain, the country's largest blockchain

network, is developed by Niti Aayog and aims to revolutionize several industries, reduce the risk of fraud, increase transparency, speed up the transaction process, require less more human interaction and provide an infallible database.

- **Chatbots :** Chatbots are one of the most recent developments in the Indian banking sector. Some commercial and government banks in India have started using chatbots or AI robots to aid their customer support services. The application of this technology is still in its infancy, but is expected to expand soon. To increase consumer engagement and provide more personalized solutions, banks and other national institutions should use more chatbots with increasing levels of intelligence. Using technology will reduce the risk of human error, while providing customers with accurate answers. Additionally, it can collect feedback and surveys, detect fraud, and facilitate financing choices. The creation of the Chain India network is expected to impact several elements of the banking and finance sector, including payments, stock and equity markets, trade finance and lending.
- **Fintech Companies :** Fintech companies are pioneers in bringing technology to the commerce and banking sector. India's financial services sector now includes fintech companies as a key component. Huge investments have been made in these companies over the past few decades and the industry is now worth billions of dollars worldwide. The way customers receive financial services has changed due to fintech practices and applications. PAYTM, Pe Phone, Policy Market, MobiKwik. xSuch Loans Lending Kart, Pay U, Kissht and Faircent are some notable influential brands. Financial services, consumer satisfaction, and costs have all improved significantly thanks to fintech startups. Research by the National Association of Software and Services Companies (NASSCOM) says that the Fintech sector in India could reach $2.4 billion by 2020.
- **Cloud Banking :** Cloud banking has completely changed the financial sector. It seems that technology will soon enter the banking and financial services sector in India. Banking and financial activities will be organized and improved thanks to cloud computing. When using cloud-based technology, data security is enhanced, flexibility and scalability are increased, efficiency is increased, services are delivered faster and the integration of technologies also newer apps will be simpler. Additionally, because data updates are simpler with cloud-based banking models, banks will not need to invest in expensive software and infrastructure.

CUSTOMERS NOW EXPECT DIGITAL BANKING SERVICES TO POWER THEIR FINANCIAL NEEDS AND GOALS

Customers are adopting new technologies faster, which is a key factor driving financial institutions' shift to digital banking. The impact of major retailers on consumer expectations by engaging them in exceptional shopping experiences is also significant. Customers are trained by these stores to expect the highest level of convenience and personalization. As a result, customers now expect the same or even better service from their financial institutions. Results from the latest BAI Digital Banking Consumer Survey show how much customers value digital banking services based on how often and how they use them. 22% of respondents use mobile banking regularly and 40% use online banking at least five times a month. Additionally, 43% reported using online bill pay at least twice a month. In fact, a large number of respondents said their preferred channel for many fairly complex tasks is online or mobile. With 66 percent favouring these money transfer methods. 18% would even prefer them to resolve account issues. 46% prefer them to manage investment accounts. Large number of financial institutions providing services essential mobile banking features like checking accounts and bill payments. Like various new features that financial institutions plan to implement. P2P payments, balance transfers to and from accounts at other financial institutions, and the ability to create deposit accounts are all growing in popularity, but no new feature stands out as a clear favorite. But some financial institutions still lag in certain areas. RDC will still be added to mobile banking in 22% of cases, 360-degree account views will be available in 21% of cases, and alerts will be added in 16% of cases. Adding more financial institutions with digital capabilities could build on this development and deliver significant and multifaceted benefits.

EXPANDING DIGITAL BANKING GENERATES EVEN GREATER OPPORTUNITIES

Of course, by providing all the features, financial institutions can improve consumer satisfaction by providing digital banking services, but it can also help them achieve other goals. Cost savings are one of the most notable benefits. According to the BAI 2017 Retail Banking Outlook survey, 41% of financial institutions see savings potential by driving consumers to online and mobile channels. Financial institutions have a unique opportunity to make investments that can increase revenue through the premiums that customers place on these channels.

Increase customer satisfaction while reducing costs. Customer acquisition is an important business goal. According to the BAI Retail Banking Outlook Report, 19% of financial institutions consider this a serious business problem. Financial institutions have the potential to solve this problem, increase market share and improve wallet share through well-developed digital channels, which account for 28 and 33% of financial institutions, respectively. Data generated by transactions through digital channels about customer behavior, such as purchasing habits, is the foundation of these opportunities. This data, unbiased and collected without the use of humans, can reveal how customers act across all channels. Financial institutions can get a more accurate and complete picture of their consumers when data from multiple channels is combined. Financial institutions can tailor the customer experience, offer new goods and services, and enhance their understanding of consumers. These two actions increase customer loyalty. These developments could encourage the use of digital banking services, increase the efficiency of financial institutions and attract new customers, especially from younger populations.

Many members of the Millennial generation, especially fond of mobile banking services, are now choosing their primary banking relationship. By catering to this preference, financial institutions can attract these customers just as they are entering the years when they are most likely to need mortgages, auto loans and other assets. other main. Financial institutions today focused on improving digital channels can benefit from data that can reveal insights into evolving customer needs.

FINDINGS

1.Majority (52%)are from the age group between 18-24 years.

2. Majority (59%)of the respondents have completed their graduation

3. Majority (46%)of the respondents family earn between 20,000- 40,000.

4. Majority (73%)of the respondents are students.

5. Majority (63%)of the respondents are neutrally satisfied towards their quality service.

CONCLUSIONS

The true impact of CBDC on the financial system and economy is still unknown. Ten of the eleven countries that have introduced official digital currencies are small nations in the Eastern Caribbean, including Jamaica and the Bahamas.

• In October 2021, Nigeria became the only major country to introduce CBDC for retail. Therefore, the RBI will have to introduce CBDC and conduct pilot testing very carefully.

• Bank operating costs are significantly reduced thanks to digital banking. With this, banks can now offer better deposit interest rates while charging lower service fees. Bank profits increased due to reduced operating costs.

• The benefits of digital banking alone underscore their importance. However, the socio-economic challenges we face increase the importance of digital banking in India. Digital banking is a secure approach to managing financial transactions in a country with high crime and corruption rates. • Using a credit card, debit card or online wallet is a safer alternative as pickpockets often target bulky wallets in many places.

• With more digital information accessible through banking. They can use numerical analytics to make data-driven, momentum-based assessments. Customers and banks both benefit.

• Digital banking has great potential to change the comprehensive financial environment. Rapid adoption of digital banking services can accelerate the integration of the unbanked economy.

• Customer satisfaction with ATM services varies depending on the expected technological adaptation. The overall findings highlight customer dissatisfaction with the number of services provided by public sector banks through ATMs.

• Private and public sector banks appear to have similar levels of customer satisfaction with telephone banking services. The results show that the majority of customers have negative reviews about the services provided.

• Private and public sector banks appear to have different levels of satisfaction with mobile and internet banking services. According to the findings, private sector banks appear to offer superior online and mobile banking services compared to public sector banks. Customers especially face difficulties with website blocking when dealing with public sector banks.

SUGGESTIONS

Indian banks still have a long way to go before adopting technology at par with banks around the world. Part of increasing customer satisfaction is for public sector banks to increase their use of technology. Customers prioritize security when implementing new technologies. Therefore, banks must strengthen security. Additionally, public sector banks need to increase the number of services they offer through ATMs and improve their online and mobile banking services.

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