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“IMPACT OF DIGITALIZATION ON FINANCE INDUSTRY”-WITH SPECIAL REFERENCE TO INDIAN BANKING SECTOR

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ABSTRACT:

The Digital boom in India has affected almost all retail focused industries. Starting with transportation and retail, it has now even spread to different kinds of industries. All these industries are driven by the need to build direct bridges with the end consumer through the different kinds of electronic devices like smart phones and computers etc in order to survive in an era where the customer is using updated technology as the primary medium of communication with the rest of the world.

India stands second next to china by using more mobile phones and in population. Technology and Digitalization are rapidly introducing drastic changes the way in which the financial sector is operating. Innovative applications of digital technology for financial services, also termed as Fintech are being used to fill the gap between financial consumers and service providers. Digitalization has permanently changed Digitalization has permanently changed the overall financial sector and its operating system

In India the Financial Markets can thrive in competition by increasing their productivity through digital technology. Successfully doing so maintains productivity and jobs and improves work well-being. While productivity in the finance and insurance business is notably higher than the national economy average, it grows slowly. The best way to speed up the growth is to develop new products and improve operating models.

This paper is completely focused on the impact of digitalization and technological updation in the area of finance like Financial Market, Banks, and Insurance etc. And also this paper represents the framework to help financial regulators to understand development and recent trends in field of finance that are being driven by digital technology and innovations. Digital services platforms, or “ecosystems”, are in a positive feedback loop of growth. They attract innovative Internet companies, who create supply and specialise in customer data analysis, which in turn attracts and engages new customers.

KEYWORDS: Digital India, Financial Market, Digitalization, Banking and Insurance Industry etc.

❖ INTRODUCTION:-

Information & Communication Technology (ICT) has revolutionised our whole world. There are various application of ICT, Digitalization is one of them. It is the process of converting the diverse forms of

information such as Text, Image, Sound, and Voice into digital form. 1st July 2015, is a day when initiative was being taken by our honourable Prime Minister Shri.Narendra Modi towards “Digital India”. It was the main motive behind to introduce the

digitalization in every sector of Indian economy. The Digital India vision aims to transform our country into digital economy with participation from citizens and businesses. Information Technology (IT) today has become an important



tool for giving service in an efficient way. Digitalization is not an option for any specific industry, rather than it has become inevitable for us to use the technology for every industry to increase efficiency in their operations and as well as to reach expected level of growth.

Banking Sector, Stock Market and Insurance sector collectively known as Indian Finance Industry. Banking sector is largest player in Indian Finance Industry. And it has the control over the large supply of money in circulation. Digitalization in banking sector has either focused on the strategic level or on the customer perspective. Earlier every financial transactions use to take place along with usage of limited technology. But now a days technology based application have been used to provide services in an effective and efficient manner. The digital transformation is taking place in the financial service industry, with the host of non-banking innovators offering both customers facing and back office financial technology product and services. Technology and Digitalization and their related application are also affecting the management and delivery of different kinds of financial services in banking sector.

ADVANCEMENTS IN TECHNOLOGY AND THE BANKING PROCESS

Period	Feature / Functionalities
1988-1994(The Initial Period)	Deposit of Cash & Withdrawal of Cash
1995-1999(Early Developments)	Mini Statement & Balance Enquiry
2002-2004(Extended Functionalities)	Fulfilling Requests from Customers (e.g. Check Book) , Account Transfers, Touch Screen Menus/Facilites
2004-2006	Ticket Booking-Railway and Airlines , Bill Payments , Mobile Recharges
2007 onwards	Check Deposit with scanning , Customized ATM's , Ubiquitous Multifunction ATM's, Biometric ATM's. Online Banking (E-Banking).

❖ OBJECTIVES OF THE STUDY:-

1. To trace out the development of Information Technology in Indian Banking Sector.
2. To examine the E-Transactions in general.
3. To evaluate importance of Technological up gradation in financial transaction.
4. To analyses the efficiency of technology based products offered by the different financial institutions.
5. To evaluate Positive and Negative impact of Digitalization in banking sector.

❖ REVIEW OF LITRATURE:-

1. **Sivakumaran (2005)** believes that adoption of technology has led to the following benefits: greater productivity, profitability, and efficiency, faster service and customer satisfaction; convenience and flexibility; 24X7 operations; and space and cost savings.
2. **Vadlamani Ravi (2007)** defines the term "Banking Technology" refers to the use of sophisticated information and communication technologies together with computer science to enable banks to offer better services to its customers in a secure, reliable and affordable manner, and sustain competitive advantage over other banks.
3. **B.Rama Chandra Reddy (2008)** in his book "Emerging challenges in E-Banking" by is his book has given an insight towards challenges and problems which are associated with emerging trends in E-Banking.
4. **C.N Reddy (2010)** in Electronic & Internet frauds gave the basic idea about the electronic and internet banking adopted by banks presently and about various frauds related to the banking sector.

❖ **RESEARCH METHODOLOGY:-**

The research will be conducted to make a study Impact of Digitalization on Indian Finance Industry. For this study we have used Secondary data's from different sources.

➤ **RESEARCH DESIGN**

The methodology for this research is designed considering the above facts. In order to accomplish the stated objectives, the researcher will utilize a combined approach that embraces features of both descriptive and analytical research design.

➤ **TYPES OF DATA:-**

This research is completely based on Secondary Data's which are collected from different sources.

➤ **SOURCES OF DATA:-**

1. Books / Relevant Documents
2. Journals / Publications etc.,
3. Government Records
4. Internet

➤ **REPRESENTATION OF DATA:-**

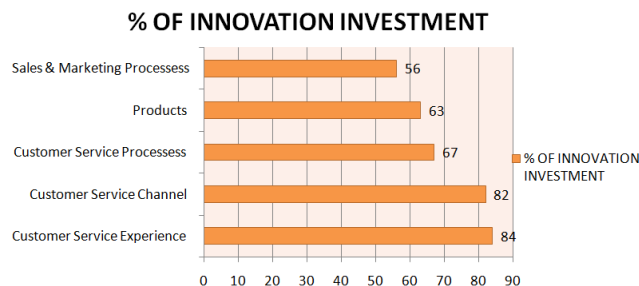
Collected data's will be represented with the help of different graphs and charts.

❖ **POSITIVE IMPACT OF DIGITALIZATION ON BANKING SECTOR**

1. It improves customer experience:- In traditional banking era customers know that starting relationship with a banks or financial institutions has never been an easy task because, in traditional banking customers are required to go to banks for each and every activity to perform banking functions. Unquestionably it has been quite difficult for banks or financial institutions and as well as for customers also. So to eliminate bottleneck in the banking operations, the whole banking sector has started to implement innovative ideas along with digital transformation in financial transactions. The digital transformation in banking sector has positively impact on improving customer experience. The main motive behind introducing the digital banking is to improve customer service experience in the field of banking sector. It makes customers to feel comfortable while dealing with different kinds of financial activities in their own environment.

The bellow chart shows that the areas where banks are investing more in innovation in order to meet the customer expectation and to improve the customer experience.

TABLE SHOWING INVESTMENT OF INNOVATION IN DIFFERENT AREAS OF BANKING OPERATIONS (in %)



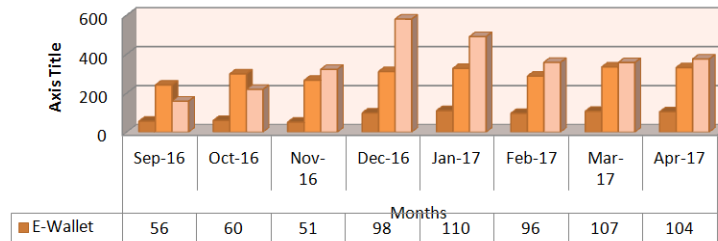
Source:- Marco Antonio Contributor, CIO Cavallo, Advisor,

2.Reduction of costs for banks and customers by using, cashless transaction etc.:-Digital Banking facilitates banks and as well as customers to reduce the cost. Now a day's all banks waived the digital

banking transactions charges. After demonetization, to encourage electronic payments in the country, the government has been looking to mitigate the charges of these services. For instance, Unified Payments Interface (UPI) is currently free for consumers.

TABLE SHOWING GROWTH OF DIGITAL PAYMENT THROUGH E-WALLET, DEBIT CARD & CREDIT CARD

E-WALLET, DEBIT CARD & CREDIT CARD TRANSACTION VALUE IN INDIA (INR billion)



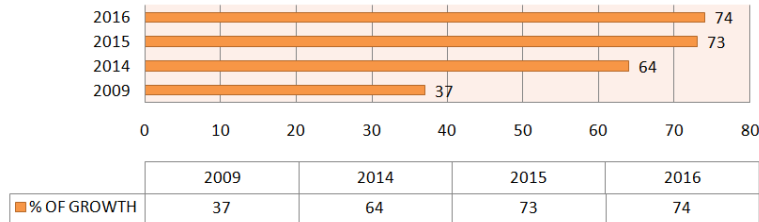
3. Increase in number of ATM's:- The digital banking has created the platform for introducing the ATM's through the world. Introduction of ATM's has been a significant milestone in the transformation of banking sector with Information Technology. Through the idea of withdrawing cash using a piece of plastic card from a machine has been approached with skepticism, it has soon gained popularity with its USP of any time cash facility (24X7). With the advent of ATM's, the need for customer to visit branch has been reduced and banks are also able to conduct business outside branch premises.

TABLE SHOWING GROWTH OF ATM'S IN INDIA



4. Implementation of Innovation strategy with technology:- The innovation & Technology agendas have practically merged into one. Implementation of new strategies along with an new technology in the banking industry has made all banking operations easier than earlier. The bellow chart shows that the proportion of banks with an innovation strategy has increased marginally in 2016 to 74percent which represent only 1percent raise from 2015, but it has significantly increased when compared to 2009.

% OF GROWTH OF INNOVATION WITH TECHNOLOGY IN THE FIELD OF BANKS

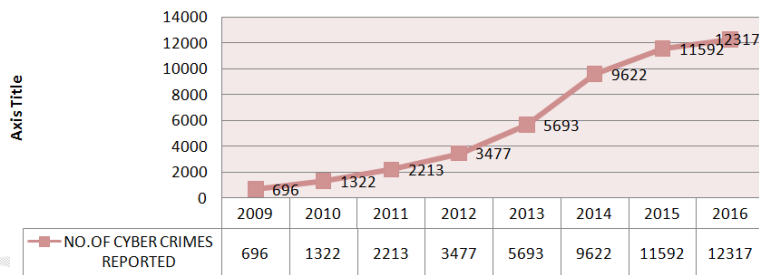


❖ NEGATIVE IMPACT OF DIGITALIZATION ON BANKING SECTOR

1. Cyber Crime4 / Image of getting Hacked.:- As banking sector shift to digital channels like online banking and mobile transactions, the attack surface grows, and there is more to protect The PwC’s Global Economy Crime Survey 2016, revealed that Cyber Crime has now jumped to the second most reported crime globally and that 54% of organizations have been hit with Cyber Crime in the last two years. One of the main targets for Cyber Crime is without a doubt banks. In the last year, banks from all over the world have been hit by hackers.

In the past three years and three months, banks lost Rs.88553 every hour on an average to cybercrime. The total money lost from April 1, 2014 to June 30,2017-Rs.252 Crore- could have written off 50,400 farm loans of Rs.50,000 each. Nearly 40 cases of cybercrime costing Rs.21.24 lakh a day on an average have been reported by banks in the said period, shows data of 102 banks of all categories obtained from the Reserve Bank of India. In all 46,612 cases were reported in the said period. The bellow chard shows that the number of Cyber Crimes reported from 2009 to 2016.

NO.OF CYBER CRIMES REPORTED



Source: - NCRB

2. Lack of Awareness about Digital Banking/ E-Banking for rural people: - Online Banking/ E-Banking is not implemented successfully due to lack awareness about technological based banking operations. In rural area most of the people use to deal with their financial transaction by visiting the bank branches.

3. Relationship between Banks and Customer:- A traditional bank provides the opportunity to develop a personal relationship with every individual customers. Getting to know the people at your local branch can be an advantage when you need a loan or a special service that is not normally offered to the public. A bank manager usually has some discretion in changing the terms of your account if your personal circumstances change. They can help you solve problems such as reversing an undeserved fee or services charge. But it is not possible if customer goes through online banking. The E-Banking does not create the platform for interaction between banks and customers personally.

4. Transaction Issues:- Online Banking Sometimes a face-to-face meeting is required to complete complex transactions and address complicated problems. A traditional bank can host meetings and calls through experts to solve specific issues. In addition, International banking transactions are more difficult with some direct bank.

5. Limited number of Services: - Digital Banks may not offer all the comprehensive financial services, Effective consultancy services, Insurance, Brokerage Account that traditional banks offer. Traditional banks sometimes offer special services to loyal customers, such as preferred rates and Investment advices with no extra charges.

❖ **CONCLUSION:-**

This paper systematically evaluated the basic differences between the traditional banking and modern banking system in India. In India the banking sector is now witnessing a new wave of evaluation with Innovation and Information Technology. In this research we have traced out how digital transformation has adopted in Indian Banking Industry. And how exactly the IT (Information Technology) plays vital role in providing financial services in banking industry

This article mainly focuses on positive and negative impact of digitalization in banking sector. The modern banking system is well enriched and had been providing reasonable services to its customers. In banking sector technology enables expanded reach and the reconfiguration of product delivery in the financial services. The digitalization has influence on banking operations positively and as well as negatively. With the help of new technology, banks can improve their efficiency in their activates and also it enables to increase customers experience by providing various innovative products and services in an efficient manner.

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