



Digital banking and Factors affecting digital banking facilities in Kakinada, AP

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Abstract: The role of the service sector in Indian economic development has increased by several notches from the fact that service sector which was contributing only 20% during the time of independence, now it is contributing over 50% GDP of India. Banking industry in India is facing unprecedented competition from non – traditional banking institutions, which now offer banking and financial services over the internet. The deregulation of the banking industry coupled with the emergence of new technologies, are enabling new competitor to enter the financial services market quickly.

Introduction

Banking sector plays a vital role in the economic development by resource mobilisation through promotes savings and accumulating capital the sectors of the economy. Banking is considered to be the nerve center of trade, commerce and business in a country. It plays a vital role in distributing money for development of trade, industry and commerce. Therefore we may say that banking is the lifeblood of modern commerce. The banking sector is important to the world economy as it influences the strength of every nation's economy. The overall development and growth of any economy depends more on the service sector. The role of the service sector in Indian economic development has increased by several notches from the fact that service sector which was contributing only 20% during the time of independence, now it is contributing over 50% GDP of India. Banking industry in India is facing unprecedented competition from non – traditional banking institutions, which now offer banking and financial services over the internet. The deregulation of the banking industry coupled with the emergence of new technologies, are enabling new competitor to enter the financial services market quickly.

Information Technology has provided banking industry with the power to deal with the challenges of the new economy. It has been the cornerstone of recent financial sector reforms aimed at increasing the speed and reliability of financial operations and making initiatives to strengthen the banking sector.

When coming to the factors such as 'time' the Customers need the Digital Banking Facilities which are facilitating to gain their time. Digital banking Facilities gives customers a high degree of oversight and control of their finances, and the ability to manage them more efficiently. Key benefits *easy to manage* is to Lower costs, Higher efficiency, Reduced error rates, Better management information, Improved use of international and trade services etc., *Diversified opportunities* – speed which facilitates Using automated services to reduce costs and improve efficiency, Switching to e-invoicing, for more efficient invoicing and rapid payments, Harnessing management



information to understand their business dynamics better, Identifying which devices – online, mobile, tablet – provide the services that are best suited to their business. Trust is a fragile commodity, easily eroded when, for example, a customer suffers a loss of data, experiences poor service, or perceives their bank to be acting unethically. Banking has always been, at its heart, a business based on trust. Banks go to great lengths to maintain confidence with clients, regulators and the wider public. New vulnerabilities include cybercrime (such as Trojans and phishing), mobile fraud (as people increasingly store security credentials on mobile devices), and the possibility of data leakage/acquisition. Cyber criminals perceive consumers as the weak link in the chain. Banks therefore invest heavily in technology to thwart criminals and to protect and educate customers. Conversely, digital technologies help manage other risks. Increased automation reduces manual errors, and the time and effort required to put them right – interestingly, three quarters of all customer complaints relate to paper channels. cost of operations as a factor by providing the digital banking facilities the banks are also getting some benefit of reducing the cost operations when compare with manual banking facilities. The cost of recruitment and training will be less to provide quality services through digital banking facilities.

The above factors are the main factors which are motivating the bankers to provide digital banking facilities to their customers.

Digital banking

The term digital banking²² or online banking was first started in 80s. The term online became popular in the late '80s and referred to the use of a terminal, keyboard and Television (or monitor) to access the banking system using a phone line. Home banking can also refer to the use of a numeric keypad to send tones down a phone line with instructions to the bank. E-banking refers to electronic banking. It is like e-business in banking industry. E-banking is also called as "Virtual Banking" or "Online Banking". E-banking is a result of the growing expectations of bank's customers. E-banking involves information technology based banking. Under this I.T system, the banking services are delivered by way of a Computer-Controlled System. This bank's system does involve direct interface with the customers. The customers do not have to visit the premises.

Advances in information and communication technologies in particular, the growing use of the internet for business transaction, have had a profound effect on the banking industry. While this is a global phenomenon, creating a truly global marketplace, penetration of internet banking into developing countries lags behind that of the developed Western countries. While poor economies, education and infrastructure are obvious factors in the slow adoption of technology in some developing countries, there are probably also other issues like Trust that plays role.

²² Cronin, Mary J. (1997), Banking and Finance on the Internet, John Wiley and Sons. ISBN 0-471-29219-2 page 41 from *Banking and Finance on the Internet*. Retrieved 2008-07-10.



Digital technology is rapidly changing the way personal financial services are being designed and delivered. Despite all their efforts aimed at developing better and easier *digital banking system*, it is remain largely unnoticed by the customers and seriously underused in spite of their availability. Therefore, there is a need to understand users' acceptance of digital banking, and a need to identify the factors that can affect their intention to use digital banking. This issue is important because the answer holds the clue that will help the banking industry to formulate their marketing strategies to promote new forms of digital banking systems in the future²³.

Digital banking or is an umbrella term for the process by which electronically without visiting a bank. User with a personal computer can get connected to his banks website to perform any of the virtual banking functions. In internet banking system the bank has a centralized database that is web-enabled. All the services that the bank has permitted on the internet are displayed in menu. Any service can be selected and further interaction is dictated by the nature of services. For digital banking Services or Online Banking Services the term e-banking is a generic term for delivery of banking services and products through electronic channels, such as the telephone the internet, the cell phone, etc.,

In digital banking system, banks are increasing their customers with the help of multiple e-delivery channels like ATMs, Credit/Debit/Smart Cards, Internet banking, Mobile banking, Tele banking, EFTs etc. offering by many banking institutions due to pressures from global competition. Hence, in case of delay in offering transaction based services on the internet; they might lose their market share. To success, banks have to offer facility instead of being pushed into it by others.

Factors affecting digital banking facilities in Kakinada

Channel Convenience

Convenience has been identified that adoption is very important issue for new technology and convenience is good for the consumer product because they need time and physical efforts to purchase product after that some other definition of convenience focus on resources such as time and efforts required in shopping also for that they produce product. It's connected to the graphic view of internet compare to mobile banking (black et al.2002)²⁴ besides these 24 services are presented (Gerrad and Cunningham, 2003²⁵; Liao and Cheung.2002)²⁶.

²³ Shara Naimi Baraghani (2007), Factors influencing the adoption of internet banking, <https://pure.ltu.se/ws/files/31102242/LTU-PB-EX-08099-SE.pdf> referred on 21-2-2015

²⁴ Black, N.J., Lockett, A., Winklhofer, H., and McKechnie, S. (2002). Modelling consumer choice of distribution channels: an illustration from financial services. The International Journal of Bank Marketing, Vol. 20 No. 4, pp.161-73



Time: Customers in need the Digital Banking Facilities which are facilitating to gain their time, because nowadays the customers are not in a position to spend more time to perform one transaction without limit. All the customers including individual or firms are trying to get the banking services within the stipulated time which they need to perform at their convenience. If the service need to perform any time in 24 x 7 around the globe, Banks should facilitate their customers to perform their tasks at any time. ATM facility is introduced to overcome the need of service to facilitate within the boundaries like country or friendly nations. But actually the Customers nowadays are seeking the service without interrupting them in any place or time. The trends in Technological Development facilitating to face the problems of TIME factor by providing quality Digital Banking Facilities. Today, Digital banking Facility gives businesses real-time control over a wide range of familiar services, including:

- Real-time access to balances, statements and transactions.
- The ability to monitor and manage payments and payments data, including cards, cheques, and bulk transactions.
- E-invoicing – allowing secure, real-time invoicing.
- Security checks – services that check ID and security credentials for you.
- International and trade services.

However, as many online services have been developed separately in response to emerging customer needs, the Digital Banking Facilities' experience can seem fragmented. Many businesses find themselves having to manage separate log-ins, on-boarding processes and support infrastructures if they are to use all the online tools available to them. This will change rapidly, Banks are working hard to integrate their systems across platforms, and give customers a single point of access for their services. This could reduce complexity and give businesses full oversight of their finances.

Both the Customers and Banks should adopt the technology to get higher quality, Omni-channel experience, where everything joins up. The Customers are also looking beyond simple Facility functionality, to information services and products that will help them manage their finances more efficiently.

Easy to Manage: Digital banking Facilities give customers a high degree of oversight and control of their finances, and the ability to manage them more efficiently. Key benefits include

- Lower costs

²⁵ Gerrard, P., and Cunningham, J.B. (2003), The diffusion of Internet banking among Singapore consumers. *International Journal of Bank Marketing*, Vol. 21 No. 1, pp. 16-28.

²⁶ Liao, Z., and Cheung, M.T. (2002). Internet-based e-banking and consumer attitudes: an empirical study. *Information & Management*, Vol. 39 No. 4, pp. 283-95.



- Higher efficiency
- Reduced error rates
- Better management information
- Improved use of international and trade services

Meanwhile, the Digital Banking Facilities that personal customers enjoy through newer channels such as Smart Phones and Tablets are also starting to cross over into the corporate space. Mobile devices will offer a different range of services suited to businesses on-the-move. For example, text alerts may warn a customer that a cut-off time is approaching for a payment that is awaiting authorisation.

Diversified opportunities - Speed

Businesses need to understand the full capabilities that Digital Banking Facilities offer if they are to get the most out of them. Lots of existing functionality is simply not being used. To ensure they are getting the best out of current technologies, Individuals Customers or Firms should consider that using automated services to reduce costs and improve efficiency, switching to e-invoicing, for more efficient invoicing and rapid payments, harnessing management information to understand their business dynamics better, identifying which devices – online, mobile, tablet – provide the services that are best suited to their business and asking their RM what their bank can do to help them understand the online solutions that will most benefit their company.

Trust

Banking has always been, at its heart, a business based on trust. Banks go to great lengths to maintain confidence with clients, regulators and the wider public. But trust is a fragile commodity, easily eroded when, for example, a customer suffers a loss of data, experiences poor service, or perceives their bank to be acting unethically.

New vulnerabilities include cybercrime (such as Trojans and phishing), mobile fraud (as people increasingly store security credentials on mobile devices), and the possibility of data leakage/acquisition. Cyber criminals perceive consumers as the weak link in the chain. Banks therefore invest heavily in technology to thwart criminals and to protect and educate customers. We also offer free security software, which adds an additional security layer between the computer and online banking.

Conclusion

Conversely, digital technologies help manage other risks. Increased automation reduces manual errors, and the time and effort required to put them right – interestingly, three quarters of all customer complaints relate to paper channels. Sophisticated tools have been developed to make fraud harder to commit. By monitoring behaviour patterns, banks can spot potentially fraudulent or criminal activity both in and outside an organisation. Meanwhile new authentication techniques, such as those using biometric data, will be harder to circumvent. The position of banks as a trusted partner will take on increasing importance in a digital society. Banks' knowledge of their customers and trusted status might allow them to, for example, enable trading between customers at a discounted rate.

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