



INTERNATIONAL JOURNAL OF BUSINESS, MANAGEMENT AND ALLIED SCIENCES (IJBMAS)

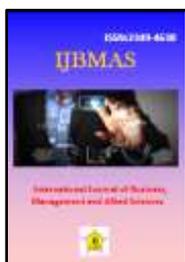
A Peer Reviewed International Research Journal

IMPACT OF DIGITAL BANKING IN TRADITIONAL BANKING SERVICES

SUDHEESH T V

Assistant Professor on Contract, SN College, Alathur

E mail: sudheeshthekkoott@gmail.com



ABSTRACT

Internet banking is changing the banking industry, having the major effects on banking relationships. Banking is now no longer confined to the branches where one has to approach the branch in person, to withdraw cash or deposit a cheque or request a statement of accounts. In true internet banking, any inquiry or transaction is processed online without any reference to the branch (anywhere banking) at any time. Providing Internet banking is increasingly becoming a “need to have” rather than a “nice to have” service. The net banking, thus now is more of a norm rather than an exception in many developed countries due to the fact that it is the cheapest way of providing banking services. This research paper will introduce you to DIGITAL BANKING, giving the meaning, functions, types, advantages and limitations of DIGITAL BANKING. It will also show the impact of DIGITAL BANKING on traditional services and finally the result documentation.

Keywords: Digital -Banking, Functions, Advantages, Limitations, Traditional Banking Services.

INTRODUCTION

Digital banking or Internet banking (or digital banking) means any user with a personal computer and a browser can get connected to his bank’s 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.

Once the branch offices of bank are interconnected through terrestrial or satellite links, there would be no physical identity for any branch. It would be a borderless entity permitting anytime, anywhere and anyhow banking.

The network which connects the various locations and gives connectivity to the central office within the organization is called intranet. These networks are limited to organizations for which they are set up. SWIFT is a live example of intranet application.

Digital banking provides enormous benefits to consumers in terms of ease and cost of transactions, either through Internet, telephone or other electronic delivery. Electronic finance (E-finance) has become one of the most essential technological changes in the financial industry. E-finance as the provision of financial services and markets using electronic communication and computation. In practice, e finance includes e-payment, e-trading, and digital banking.

MEANING OF DIGITAL BANKING

Digital banking is the application of technology to ensure seamless end-to-end (STP in the 'old' jargon) processing of banking transactions/operations; initiated by the client, ensuring maximum utility; to the client in terms of availability, usefulness and cost; to the bank in terms of reduced operating costs, zero errors and enhanced services.

GROWTH OF DIGITAL BANKING

The invention of ATMs and credit cards paved the way for the digitization of the banks. The commercial evolution of the internet in the early 1990s completely overhauled the banking sector introducing the world to the digital banking services. This is when traditional street-side banks started considering ideas to deliver restricted online bank services to cut down the cost of operations. When these efforts proved beneficial and were acknowledged by all, numerous banks ideate to create their own cyber presence with newly designed website featuring the various services like opening new accounts online, necessary form download and processing loans. This has equally affected the hiring process for the professionals in the banking sector. Apart from the banking examinations that one needs to qualify, career in the banking for freshers requires technology experts.

The concept of digital banking has transformed more taking into its purview transfer of funds, bill payments, Income tax filing, opening recurring accounts, fixed deposits and many more.

OBJECTIVES

- To trace out the aspects and services of Digital banking
- To find out the impact of Digital banking on traditional banking services

STATEMENT OF THE PROBLEM

Today, many banks are internet-only institutions. These "virtual banks" have lower overhead costs than their brick-and-mortar counterparts. Many online banks can offer them more protection for the customers' funds as compared to traditional banks. However there are tremendous changes in the pattern of banking service and customer relationship. This study focuses on changed scenario of banking services after digitalization.

RESEARCH METHODOLOGY

The research design is descriptive in nature. It is mainly based on primary and secondary data. The primary data were collected from both public and private sector banks for collecting information about Digital banking services. The secondary data were collected from various sources like websites of banks, articles, research papers, annual reports, journals etc.

FUNCTIONS OF DIGITAL BANKING

At present, the personal e-bank system provides the following services: -

- 1) Inquiry about the information of account:** The client inquires about the details of his own account information such as the card's / account's balance and the detailed historical records of the account and downloads the report list.
- 2) Card accounts' transfer:** The client can achieve the fund to another person's Credit Card in the same city.
- 3) Bank-securities accounts transfer:** The client can achieve the fund transfer between his own bank savings accounts of his own Credit Card account and his own capital account in the securities company. Moreover, the client can inquire about the present balance at real time.
- 4) The transaction of foreign exchange:** The client can trade the foreign exchange, cancel orders and inquire about the information of the transaction of foreign exchange according to the exchange rate given by our bank on net.
- 5) The B2C disbursement on net:** The client can do the real-time transfer and get the feedback information about payment from our bank when the client does shopping in the appointed web-site.
- 6) Client service:** The client can modify the login password, information of the Credit Card and the client information in e-bank on net.

7) **Account management:** The client can modify his own limits of right and state of the registered account in the personal e-bank, such as modifying his own login password, freezing or deleting some cards and so on.

8) **Reporting the loss if the account:** The client can report the loss in the local area (not nationwide) when the client's Credit Card or passbook is missing or stolen.

ADVANTAGES OF DIGITAL BANKING

Benefits to the bank:

- Lower operating costs through;
 - the elimination of costly back-office processing operations,
 - fewer (or ideally no) errors,
 - smaller branch footprint (the typical branch can become a kiosk affair, providing technology interfaces for the client to use plus the ability to deal with banking specialists via a video link) – a minimum number of actual staff will be required.
 - concentrating banking/business specialists in a single centre, who are then available to clients via a technology link (either on their mobile, pc or via a kiosk branch).

Operating cost savings of between 20% to 40% could be achieved this way, according to industry experts. Cutting costs has the opposite effect on profits – they go up.

- Dumping legacy systems;
 - Make no mistake - one of the biggest drawbacks to going 'Digital' is this irrational clinging to legacy systems (developed in the 1960s and 1970s) that hold progress back. Banks plead the huge cost of making the change. They are wrong. The ultimate costs of not making the change are far greater.

Benefits to the customer:

- Improved services and product offerings;
 - 24/7 bank services and availability through your mobile, pc or kiosk branch,
 - 'smart banking' applications that allow ALL transactions to be completed from the device of your choice, from beginning to end (with clear instructions and fail safe mechanisms),
 - access to a FULL range of services (savings, investments, insurance, loans, mortgages, foreign currency, etc.),
 - new useful client services such as warnings, notifications, budgeting, expenditure analyses, savings programs, calculators (you name it – the range is endless),
 - Lower charges (and therefore cheaper banking),
 - Banking that meets the client's needs (not the banks).
- Banking made easier: If you have an internet connection, you can bank from anywhere anytime. Except when the website is down for maintenance, the online services are available round the clock throughout the year. Customer support team is there to take up your issue when the internet is not available. You will have the summary of your account displaying your account balances real-time. Banking is made easier, faster and more efficient through the internet. Consumers can always keep a check on their account balances through this mode of banking. Even if you need to change your contact details or your mailing address then you can do it through few clicks, making it effortless.
- High interest rates: When a bank is going full online with its services, then the reduction in infrastructure and overhead cost leads to an increase in the interest rates on your savings account and also lower loan and mortgage rates.
- Advanced websites: The banks that have chosen to go online with their services (which comprises of all the banks- national and international, public and private) have well-developed sturdy services with added features that includes financial planning tools, loan calculators,

premium calculators, tools for analyzing investments, budgeting and forecasting tools, tax preparation and tax paying platforms online.

- Mobility of services: Virtual banking is now available on mobile. Banks are developing responsive mobile websites so that it can be easily accessed via smart phones or tabs on the go. Money can be transferred and bills can be paid through these mobile websites.
- Eco-friendly: This can be categorized as the environment-friendly initiative. Digital banking saves paper discarding the need for office space, construction, and vehicular movement. Thus giving their customers a pollution free experience.

DRAWBACKS OF DIGITAL BANKING

1. Personal relationship with the Bank is not established: The traditional brick and mortar bank interacts with the customer developing a mutual bond. Acquainting with the professionals working in the bank in your area can be beneficial during the time you apply for a loan or if you require any special service. They might help you to deal with the issues of service charges or cutting down on the fees. In case of business loans, especially this bond will help you to get the required capital.
2. Issues with transactions: When you have to deal with a complex transaction, it is better to sit and resolve it face to face. International transactions also have many concerns that need to be looked after. It is advisable that in these cases you should sit and consult with your bank official to resolve the issues. Making them online might lead to link failure hampering the mode of transfer.
3. Security issues: Identity theft is an issue to consider these days. If robust encryption software is not in place then all your confidential account information will be available in the web posing serious threats to your finances.

IMPACT OF DIGITAL BANKING ON TRADITIONAL SERVICES

Digital banking transactions are much cheaper than branch or even phone transactions. This could turn yesterday's competitive advantage - a large branch network - into a comparative disadvantage, allowing e-banks to undercut bricks-and-mortar banks. This is commonly known as the "beached dinosaur" theory.

Digital banks are easy to set up, so lots of new entrants will arrive. „Old-world“ systems, cultures and structures will not encumber these new entrants. Instead, they will be adaptable and responsive. Digital banking gives consumers much more choice. Consumers will be less inclined to remain loyal. Portal providers are likely to attract the most significant share of banking profits. Indeed banks could become glorified marriage brokers. They would simply bring two parties together e.g. buyer and seller, payer and payee. The products will be provided by monolines, experts in their field. Traditional banks may simply be left with payment and settlement business even this could be cast into doubt.

Traditional banks will find it difficult to evolve. Not only will they be unable to make acquisitions for cash as opposed to being able to offer shares, they will be unable to obtain additional capital from the stock market. This is in contrast to the situation for Internet firms for whom it seems relatively easy to attract investment.

Banking is just banking offered via a new delivery channel. It simply gives consumers another service (just as ATMs did). Experience in Scandinavia (arguably the most advanced

DIGITAL BANKING area in the world) appears to confirm that the future is „clicks and mortar“ banking. Customers want full service banking via a number of delivery channels.

The future is therefore „Martini Banking“ (any time, any place, anywhere, anyhow). Traditional banks are starting to fight back. The start-up costs of an e-bank are high.

Establishing a trusted brand is very costly as it requires significant advertising expenditure in addition to the purchase of expensive technology (as security and privacy are key to gaining customer approval).

E-banks have already found that retail banking only becomes profitable once a large critical mass is achieved. Consequently many e-banks are limiting themselves to providing a tailored service to the better off. DIGITAL BANKING transaction needs some interface to communicate with banking customer. All the electronic transaction performs through some interfaces.

The electronic devices which perform interact with customers and communicate with other banking system is called electronic banking delivery channels

FINDINGS

- Customers find it convenient to use digital banking for availing various banking services.
- Digital banking helps to save time when compared to traditional banking.
- The transaction rate has increased as compared to traditional banking. 183
- Customers get timely and updated information from the bank after each transaction.
- Digital banking enables user friendly approach as a customer can himself customize his/her account.
- Digital banking is cost advantageous for bank as well as customers.
- More than all it is eco friendly by reducing wastage of papers.

SUGGESTIONS

- Banks should take necessary steps to create awareness among rural people about the advantages of digital banking services available in the banks.
- The digital banking system should be enhanced to make the online enquiry and online payment much more easier to the customers. 3) Public sector banks should improve their digital banking services to compete with their private sector counterparts.
- Most of the customers have not availed of the digital banking services because they do not trust the internet channel presuming it as complicated. So banks may set up a team of personnel to train the customers to get acquainted with internet channel.
- The bank customers have perceived the risk of getting wrong information from digital banking services. These illusions should be removed from the minds of the customers by bank people as these factors are the barriers for most of the customers for not adopting these services.
- Though digital banking is convenient and easy to use, customers are afraid of adopting these services because they think that using these "services are difficult and complicated". So, on-site training can be provided to the bank customers who intend to use digital banking services.

CONCLUSIONS

The introduction of digital banking has revolutionized the banking sector and modified the whole procedure of simple bank transfers. It has facilitated the customers assisting them to check their account details, pay online bills and transfer money from one account to the other in a faster way. This has helped the end user to enjoy a methodical financial life. Though the world has embraced the hassle free Digital banking, yet it cannot replace its brick and mortar counterparts.

Digital banking is a borderless entity permitting anytime, anywhere and anyhow banking. The banking sector has become competitive over the years due to the digitization of banks. Weighing the pros and cons, it will not be wise to depend only on one method of banking; be it the virtual one or the traditional one. The best approach would be to break up your banking needs between online and in-store services to enjoy the benefits of both.

REFERENCE

- [1]. "E-Banking In India – Major Development And Issues", By Sathya Swaroop Debashish And Bishnu Priya Mishra – Pranjana, Vol. 6, No.1. Jan – July 2003., Page 18
- [2]. "The Impact Of E Banking On Traditional Banking Services", By Vyas,S., Published In Singhania University Rajasthan, India.(2005)

- [3]. "The Impact Of Internet On Service Quality In The Banking Sector", Thesis Submitted In Lulea University Of Technology,By Wang,C.,And Wang,Z.,(2006). Page 1-67.
- [4]. <http://www.financialexpress.com>
- [5]. <http://www.internetworldstats.com>
-