

Digital Banking in India: Issues & Challenges (With Reference To State Bank of India)

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ABSTRACT

Digital banking also known as internet banking Digital Banking / e-banking or virtual banking is a digital (i.e Electronic) payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website. The Digital banking system to be part of the CBS (core banking system) operated by a bank is in contrast to branch banking which was the regular way customers accessed banking services. Now-a-days banking is known as innovative banking. Developments in Information technology have given a rise to innovations in the product & service designing & their supply in the banking sector & finance industries customer services & satisfaction are their Centre point of all the efforts. One of the most important areas of banking where Information Technology have a positive influence so on substitutes for traditional funds movement services. With the advent of online banking electronic funds transfer & other similar products & services for funds transfer within quick time which was impossible a few years ago. With networking & inter connection new problems are taking place related to security privacy & confidentiality to e-banking transaction.

Keywords: Online Banking Fund transfer.

I. INTRODUCTION

The conventional functions of banking are confined to accept deposits & to lend money through loans & advances. Now-a-days banking is known as innovative banking. Use of Information technology has given rise to innovations in the product & service designing & their delivery in the banking sector & finance industries customer services satisfaction are their principle work. Present banking scenario has come up with a lot of new initiatives which are oriented to provide a better customer service & facilities with the help of information technology.

Banking sector focuses the larger economy its linkages to all sectors make it representative for what is going on in the economy. Indian banking sector presently has the same sense of opportunity that is evidence in the Indian banking market & economy. The current developments in the worldwide markets offer too many opportunities to the banking sector. In today's competitive banking word improvement day by day in customer services is the most significant tool for their growth & development. Banking company offers so many changes to access their banking & other services.

Banks are playing an important role in the economic development country. Economic development of a country involves investment in various sectors of the economy. The bank collects small savings from the public for investment in various projects. In general banking the banks performs various agency works for their customers & helps economic development of the country.

A digital bank represents a virtual process that includes online banking & beyond. As an end-to-end platform digital banking must encompass the front end that consumers see the back end that bankers see through their servers & admin control panels & the middleware that connects these nodes. Ultimately a digital bank should facilitate all functional levels of banking on all service delivery platforms. In other words it should have all the same functions as a head office branch office online service bank cards ATM & point of sale machines.

The reason digital banking is more than just a mobile or online platform is that it includes middleware solutions. Middleware is software that bridges operating systems or databases with other applications. Financial industry

departments such as risk management product development & marketing must also be included in the middle & back end to truly be considered a complete digital bank. Financial institutions must be at the forefront of the latest technology to ensure security & compliance with government regulations.

OBJECTIVES OF THE STUDY

1. To study the present digital banking scenario in India.
2. To identify the challenges faced by the SBI in digitalisation.
3. To suggest solution for the problem in digitalisation.

II. RESEARCH METHODOLOGY

In this study has been collected Secondary data by using Journals news papers Internet & Bank web sites.

STATE BANK OF INDIA - AN OVERVIEW

State Bank of India (SBI) is an Indian multinational public sector banking & financial services company. It is a government-owned corporation with its headquarters in Mumbai Maharashtra. On 1st April 2017 the State Bank of India which was India's largest bank merged with five of its associate banks (State Bank of Bikaner & Jaipur State Bank of Hyderabad State Bank of Mysore State Bank of Patiala & State Bank of Travancore) & with the Bharatiya Mahila Bank. This was the first ever large scale consolidation in the Indian banking industry. With the merger SBI became one of the 50 largest banks in the world.

The roots of the State Bank of India lie in the first decade of the 19th century when the Bank of Calcutta later renamed the Bank of Bengal was established on 2 June 1806. The Bank of Bengal was one of three Presidency banks the other two being the Bank of Bombay (incorporated on 15 April 1840) & the Bank of Madras (incorporated on 1 July 1843). All three Presidency banks were incorporated as joint stock companies & were the result of royal charters. These three banks received the exclusive right to issue paper currency till 1861 when with the Paper Currency Act the right was taken over by the Government of India. The Presidency banks amalgamated on 27 January 1921 & the re-organised banking entity took as its name Imperial Bank of India. The Imperial Bank of India remained a joint stock company but without Government participation.

Pursuant to the provisions of the State Bank of India Act of 1955 the Reserve Bank of India which is India's central bank acquired a controlling interest in the Imperial Bank of India. On 1 July 1955 the imperial Bank of India became the State Bank of India. In 2008 the Government of India acquired the Reserve Bank of India's stake in SBI so as to remove any conflict of interest because the RBI is the country's banking regulatory authority.

The acquisition of State Bank of Indore added 470 branches to SBI's existing network of branches. Also following the acquisition SBI's total assets will approach ₹10 trillion. The total assets of SBI & the State Bank of Indore were ₹9981190 million as of March 2009. The process of merging of State Bank of Indore was completed by April 2010 & the SBI Indore branches started functioning as SBI branches on 26 August 2010.^[12]

On 7 October 2013 Arundhati Bhattacharya became the first woman to be appointed Chairperson of the bank.^[13] Mrs. Bhattacharya received an extension of two years of service to merge into SBI the five remaining associated banks.

SBI to launch its own version of digital only bank



SBI will soon rub shoulders with the likes of Europe's M-Bank & Canada's Tangerine Bank as it prepares to launch its own version of Digital only bank in the next 3-6 months.

MUMBAI: The country's largest lender SBI will take the lead among state-run lenders to launch branch less banking. The latest launch from the lender - SBI Digi Bank will have a financial superstore a market place & end to end digitisation for all products & services.

SBI will soon rub shoulders with the likes of Europe's M-Bank & Canada's Tangerine Bank as it prepares to launch its own version of Digital only bank in the next 3-6 months. While SBI did not respond to a mail seeking an official response a senior official confirmed the development on the condition of anonymity.

DEPOSIT SCHEMES

- Whatever your needs - an investment of your surplus funds or to create a fund for your childrens' education & marriage. You will find a product from SBI that suits your requirement delivered at a branch close to you.
- Open an account with any of our branches all of them are fully computerised & realise the advantage of our vast network. Place funds in Multi Option Deposit Scheme a term deposit which is not fixed at all & comes with a unique break-up facility which provides you full liquidity as well as benefits of higher rates of returns through your savings bank account/Current account.
- Want to build up savings slowly? Discover our Recurring Deposit Account. You can save a little every month to build up the desired corpus to meet your future requirement of funds.
- Our products are designed with flexibility to suit your personal requirements. Enjoy 24 hour banking facility through our Internet Banking/ widest network of ATMs. Please watch this space for more details.

SBI Digital Savings account.

- Only Resident India Individual over 18 years of age with capacity to contract in accordance with applicable laws in India without any tax liability outside India is eligible for opening SBI Digital Savings Account.
- Customer must be having a valid Aadhaar number & valid Permanent Account Number. In case Customer's name as reflected in Aadhaar is different from that as reflected on the PAN Card the details as per Aadhaar will be taken on record.
- Customer must be having a valid & active local mobile number registered in his/her name a smart phone & a valid & active email address.
- Customer will have to successfully complete e-KYC through biometric authentication through SBI branch & have to comply with all other requirements including KYC requirements as may be specified by the bank for Digital savings bank account.
- Only one Digital Savings Account can be opened from one Mobile Phone/Device.
- At any given point of time Customer can have only one SBI Digital Savings Account.
- Customer must download the YONO by SBI APP on his/her Mobile Phone/Device.
- SBI reserves the ri

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WITHDRAWALS:

It gives you the freedom to enjoy the life you have always wanted after retirement. You can withdraw money from your existing mutual fund investments at pre-determined intervals be it weekly monthly quarterly half-yearly or even annually to create a regular cash flow for your needs. You can also plan your investments & withdrawals in a tax-efficient way. Thus giving you the potential to earn more returns over a period as you withdraw happiness bit by bit.

CHEQUE COLLECTION POLICY

1. Log in on SBI's Internet banking portal onlinesbi.com.
2. Under the 'e-Services' section click on the 'stop cheque payment' option. This leads to the 'stop cheque payment' page.
3. The portal displays a list of all your SBI accounts. At this step the account from which the cheque is to be selected

NEFT:

The acronym NEFT stands for National Electronic Funds Transfer. Funds are transferred to the credit account with the other participating Bank using RBI's NEFT service. RBI acts as the service provider & transfers the credit to the other bank's account. This system of fund transfer operates on a Deferred Net Settlement basis. Fund transfer transactions are settled in batches as opposed to the continuous individual settlement in RTGS. Presently NEFT operates in hourly batches from 8 am to 7 pm on week days & 8 am to 1 pm on Saturdays.

IMPS

Immediate Payment Service (IMPS) is an instant real-time inter-bank electronic funds transfer system in India. IMPS offers an inter-bank electronic fund transfer service through mobile phones. Unlike NEFT & RTGS the service is available 24/7 throughout the year including bank holidays.

It is managed by the National Payments Corporation of India (NPCI) & is built upon the existing National Financial Switch network. In 2010 the NPCI initially carried out a pilot for the mobile payment system with 4 member banks (State Bank of India Bank of India Union Bank of India & ICICI Bank) & expanded it to include Yes Bank Axis Bank & HDFC Bank later that year. IMPS was publicly launched on November 22 2010. Currently there are 53 commercial banks 101 Rural/District/Urban & cooperative banks & 24 PPI signed up for the IMPS service.^[1]

CREDIT CARD

A credit card is a payment card issued to users (cardholders) to enable the cardholder to pay a merchant for goods & services based on the cardholder's promise to the card issuer to pay them for the amounts so paid plus the other agreed charges.^[1] The card issuer (usually a bank) creates a revolving account & grants a line of credit to the cardholder from which the cardholder can borrow money for payment to a merchant or as a cash advance. In other words credit cards combine payment services with extensions of credit.^[2] Complex fee structures in the credit card industry may limit customers' ability to comparison shop help ensure that the industry is not price-competitive & help maximize industry profits. Because of this legislatures have regulated credit card fees.^[3]

DEBIT CARD

A debit card (also known as a bank card plastic card or check card) is a plastic payment card that can be used instead of cash when making purchases. It is similar to a credit card but unlike a credit card the money comes directly from the user's bank account when performing a transaction.

E-BANKING

Online banking also known as internet banking e-banking or virtual banking is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website. The online banking system will typically connect to or be part of the core banking system operated by a bank & is in contrast to branch banking which was the traditional way customers accessed banking services.

III. DIGITAL CHALLENGES FACED BY SBI

- 1. Attaining app perfection:** There is an immense feeling of power & reassurance while accessing a smartphone application. Smartphones are more personal in nature progressing to biometric verification even for actions such as unlocking the screen. Taking this into account developing applications related to a business becomes crucial in order to retain customers. With banking & financial applications increasingly offering the comfort & luxury of monitoring expenses at any time from any place organizations that do not tap into this area will certainly lose out on many individuals that will deem the corporation outdated.
- 2. Technology Upgrades:** Five years ago smartphones were only just becoming popular. Today the functionality largely defines the device that is owned. Those who travel frequently on business depend on Apple & Android tablets those who work as freelancers depend on high quality cameras & digital notebooks while those who work the 9-to-5 routine prefer robust laptops & high-performance desktops.
- 3. Cyber Crime:** Most banking & financial applications are subject to cyber-attacks the most. The reason is obvious what with money being the unquestionable objective. Fraudsters have been known to be innovative in their endeavors to siphon funds either as large amounts in a gun-shot or minuscule amounts from thousands of accounts over a long period of time. If not money directly there is always the threat of data being compromised.
- 4. Spearheading with Innovation:** Spearheading the marketplace by offering innovative services is not just desired but also required in order to stay ahead of the curve & attract a wide customer base. Especially with a large base of young users it becomes important to distinguish your company in the ever-growing & competitive marketplace. However companies are often hesitant to take the leap as they are aware that things can horribly backfire & cause instant backlash from irate customers.

5. **Sustainability:** Post successful innovation & implementation the next pressing challenge to tackle effectively is sustenance. An organization's sustainability as a leader is possible only through synergy. Only when the users acknowledge the value of the product or service will the organizational value skyrocket to success & remain there. In this context the power of social media is often overlooked. While consistently good reviews uplift the organization to a better status consistently bad reviews can destroy even an entire empire.
6. **Delivering Quality at Speed:** In the rush of wanting to deliver products & services at an accelerated speed companies often tend to compromise on the quality. The issue with quality is that there is no such thing as a small bug; a bug is a bug. There have been several instances of organizations knowingly turning a blind-eye to defects in products & software even before the item hit the market.

IV. DIGITAL ISSUES FACED BY SBI

1. Liability in bank digital transactions: Bank digital transactions can go wrong due to a variety of reasons many of them because of no fault of customers. The hacking of debit cards & bank accounts is not uncommon.

With the increased use of digital payments customers need to be protected from unauthorised banking transactions. Today the onus is on customers & not the banks when banks are really in control of the payment system & are charging customers for digital transactions. We are redoubling our efforts to go digital without fixing an anti-consumer practice which is already fixed by most countries.

2. Liability for e-wallet transactions: You get an e-mail from the e-wallet company that your transaction was successful. But the online retailer claimed he didn't receive the money. The money has disappeared in cyberspace. What are your options? Virtually none. The Reserve Bank of India (RBI) has banking rules for reconciling failed ATM transactions (within seven working days after a customer complaint. Any delay attracts a penalty of Rs 100 per day of delay.) But there are no such guidelines for wallets or the Unified Payment Interface (UPI) yet. Even the structure of some platforms (NEFT IMPS) punishes the user for a tiny mistake in keying in an account number because tracking & recovering the payment are difficult if not impossible.

3. Inadequate laws: The laws on digital payments are vague. E-wallets are non-bank financial companies (NBFCs) so the rules that cover banks don't apply to them while security compliance for "fintech" companies falls under Section 43 A of the Information Technology Act (which covers data protection). Transactions between a user & a mobile wallet service provider are merely contractual agreements according to Supreme Court advocate Pavan Duggal. They "can always be repudiated. There's a heightened need to legally back digital payments in India not only to ensure the safety of consumer money but also for the safety of these companies themselves" he told this paper a few months ago. There is no clarity as to how & who will enforce a fair decision when something goes wrong. "There are no legal mechanisms available in the case of disputes pertaining to digital payments" says Duggal bluntly.

4. Overcharging/stealth charges: The best practice in the digital world is opt-in. Customers must give explicit consent to avail of a service. Indian banks seem to believe in the worst practices of the 1990s - customers must opt out or they would be charged. That apart banks are frequently increasing charges & reducing choices - easily justifying them in the name of digital transformation.

While digital financial transformation has been rapid all over the world led by the tech evangelists (& in India's case the government itself) policymakers all over the world usually think of the customers last.'

SUGGESTIONS

1. The use of e-banking delivery channels is still not up to the mark as expected by the banks. This requires awareness building among the customers about the benefits of these services. Customers should be properly educated about the mechanism of using these services. It is Difficulty for Using Old Persons Rural People. So Banks are adopting in easy technology for Rural People.
2. Digital banking procedures is be challenging for people who are illiterate or unfamiliar with technology. Making customer aware of how best to use banking services is critical. While this is the responsibility of bank RBI & government can create the appropriate climate through a well-planned media campaign.
3. Banks should take prompt & timely action to ensure the smooth functioning of ATMs. Customers should be relieved from their apprehensions & make them feel comfortable while using ATMs and other digital Transactions.
4. Most of the customers have not availed of the e-banking / internet 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.
5. The bank customers have perceived the risk of getting wrong information from e-banking / internet banking services. These illusions should be removed from the minds of the customers by bank Personal as these factors are

the barriers for most of the customers for not adopting these services. Throughout the Country especially in rural areas

CONCLUSION

Digital -banking is a generic term for delivery of banking services &products through electronic channels such as the telephone the internet the cell phone etc. The concept &scope of Digital-Banking is still evolving. Banks provide security &convenience for managing your money &sometimes allow you to make money by earning interest. Convenience &fees are two of the most important things to consider when choosing a bank. Writing &depositing checks are perhaps the most fundamental ways to move money in &out of a checking account but advancements in technology have added ATM &debit card transactions online bill pay &mobile transfers to the mix. All banks have rules about how long it takes to access your deposits how many debit card transactions you're allowed in a day &how much cash you can withdraw from an ATM.

Digitalization in the rural India has not ye been accepted the bank authorities has to indicate program like financial Literacy, awareness and demonetization for bringing the gap among the customers.

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