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Digital Banking and Its Applications: A Recent Trends in India

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Abstract

Digital banking, also known as online or internet banking, has transformed the way customers access and use banking services. This research work explores the impact of digital banking on users, the challenges faced by banks and customers in adopting digital banking, and the future prospects of this technology. Digital banking has revolutionized the banking industry, replacing traditional banking services with convenient and efficient digital channels. The objective of this study is to identify the effects of digital banking on customer experience and satisfaction in the banking sector. A mixed-methods approach, combining surveys and interviews with banking customers, is applied to gather data and analyse the findings.

Keywords: Payment systems, digital payments, banking, customer experience, satisfaction, UPI (unified payments interface)

INTRODUCTION

Digital banking has emerged as a disruptive technology, transforming the traditional banking landscape. The banking industry, once dominated by large institutions, now faces fierce competition from fintech start-ups and tech giants leveraging technology to offer innovative banking services. Digital banking enables customers to perform a wide range of transactions, such as account opening, bill payments, fund transfers, and investment management, from their mobile devices. This technology has the potential to reduce costs, improve customer experience, and increase financial inclusion [1]. Customers can now save time and explore new opportunities instead of waiting in long queues to pay their bills. While digital banking brings numerous benefits, it also presents challenges and risks. Banks must invest in robust technology infrastructure and security protocols to protect customer data from cyber breaches. Customers, in turn, need to be cautious and vigilant while using digital banking services. This research work examines the current state of digital banking, its impact on the banking industry and consumers, the challenges and opportunities of adopting digital banking, and the future prospects of this technology in the financial sector. The analysis draws on qualitative and quantitative data from various sources, including academic research, industry reports, and interviews with industry experts.

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UPI (Unified Payments Interface)

Using the UPI, or Unified Payments Interface, bank account holders can make transactions of minimal value up to a predetermined limit. Quick transfer of Funds and Payments via smart phones or feature phones are made possible by UPI, which gives each person a unique finance address that works like an email address [2]. The Reserve Bank

of India of India (RBI), Indian Banks Association (IBA), and the National payment corporation of India (NPCI) worked together to build the UPI system [3].

Objective

Examining the usage of digital payment systems and modifications in digital banking, with an emphasis on the UPI system, is the main goal of this study.

RESEARCH METHODOLOGY

Secondary data and material from numerous sources, including articles, journals, and books, have been assembled for this descriptive study.

ANALYSIS AND DISCUSSION

This research is based on exploratory research methods, using secondary sources of data collection. Relevant and necessary data are collected from national and international journals, books, newspapers, and other sources. The analysis includes the study of technology adoption, awareness of different digital payment modes, preferences and perceptions regarding cash and digital payments, spending habits, service experiences, and Feedback. According to the research findings, the volume of transactions involving digital payments has increased significantly over the last five fiscal years. Various digital payment channels, including as BHIM-UPI, IMPS, as NACH, AePS, NETC, credit card, debit card, NEFT, RTGS, and PPI, and others, have aided in the growth of the economy [4]. Technology, understanding of various kinds of online payment, preferences and opinions regarding paper and digital payment methods, spending patterns, related to services experiences, and feedback are the key focal areas.

The number of digital transactions for payments that have been made overall over the last 5 years as shown in Table 1 [5].

Table 1. Digital transaction for payment for 5 years.

Year	Total Digital Transactions (in Rs. lakh crores)
2018	5,85,710.45
2019	18,36,638.18
2020	33,87,744.72
2021	71,59,285.80
2022	1,25,97,098.73

Note: *BHIM-UPI, IMPS, and NACH, AePS, NETC, debit, credit card, NEFT, RTGS, and PPI, and other digital payment methods are taken into consideration.*

The contemporary era has witnessed the widespread popularity of cashless transactions with the introduction of UPI addresses. Through UPI, individuals can effortlessly transfer money within minutes, eliminating the need to visit a physical bank. Nevertheless, the advent of this digital age, characterized by cashless UPI payments, has also attracted numerous fraudsters, leading to an increase in UPI fraud complaints nationwide [6].

Avoid sharing your UPI PIN or OTP. One critical mistake to avoid is divulging your UPI PIN and OTP to any customer care representative claiming to be affiliated with a bank or government institution. Always bear in mind that no legitimate bank or government institution will ever request your UPI PIN, OTP, or password. Therefore, if you receive any calls soliciting your UPI details, be certain that the caller is a fraudster.

Refrain from granting access to your phone or computer. Fraudsters often employ the tactic of requesting access to your phone or computer under the pretext of conducting KYC verification. Ensure that you never share such access with any customer care agent and refrain from falling victim to such scams.

Exercise caution when encountering random links frequently, you may receive messages enticing you to claim rewards or cash. Never conduct any transactions through such random links or websites. This serves as a method employed by fraudsters to obtain your UPI PIN and subsequently withdraw money from your bank account. Prior to making any payment, always verify the UPI link and the account holder's name.

Regularly change your UPI PIN Another vital step in securing your UPI account is regularly altering your UPI PIN. It is advisable to change it every quarter to safeguard yourself against potential UPI fraud. Exercise caution when receiving payment requests if you receive a payment request from an unfamiliar source, exercise caution and refrain from entertaining such notifications. If the individual appears suspicious, decline the payment request promptly.

Initial minimum payment should be made with a certain amount. After confirming the contact number, UPI account, and user numbers, it is imperative to initiate the first payment with an amount of Rs. 1. Once the minimum amount has been paid, take a screenshot and confirm the transaction with the recipient. Maintain regular records of your transaction history Always keep track of your transaction history on a regular basis. Be sure to remember your bank balance after the most recent payment and review your transaction history periodically.

Set a daily transaction limit for UPI payments. Establish a UPI payment limit for your daily transactions based on your specific requirements. By implementing this precautionary measure, any potential loss resulting from UPI fraud is limited. Connect your phone/laptop only to secure Wi-Fi networks. Ensure that you only connect your phone or laptop to secure Wi-Fi networks. Refrain from connecting to random or unknown Wi-Fi connections, as they may be compromised by digital hackers seeking to obtain your mobile data and personal details [7].

There exist multiple methods of conducting digital transactions. Here is a list of UPI Apps:

- @rbl's BHIM RBL Pay app, which works with Android and ions.
- DigiBank: DBS (works with iOS & Android) @dbs.
- BHIM Baroda Pay: @BARODAMPAY (available only for Android).
- BHIM (available for Android and ions) @upi.
- BHIM ALLBANK UPI @all bank (available only for Android).
- @axisbank's BHIM Axis Pay (available only for Android).
- BHIM IndusPay @indus (available only for Android).
- BHIM Lotza UPI (available only for Android) Federal @.
- BHIM SBIPay (available only for Android) @sbi.
- @yesbank's BHIM YES PAY (available only for Android).
- Citi Mobile, @citi & @citigold, available on iOS and Android.
- The following accounts accept Google Pay: @okhdfcbank, @okaxis, @oksbi, and @okicici.
- HSBC Simply Pay (available on iOS and Android) @hsbc.
- iMobile by ICICI Bank, an Android-only app, available at @icici.
- Android-compatible Kotak Mobile Banking Application @kotak.
- PhonePe (work with iOS & Android) @ybl.
- SIB Mirror+ (available just for Android) @sib.

CONCLUSION

Banks now have additional options to increase their customer base, generate handling fees, and cut operational expenses thanks to the rise of Internet banking and the government has also taken many step for low barrier to entry to online banking, however, puts banks at risk of having their operations decline if they do not create a plan in this area. The information demonstrates unequivocally the growing acceptance and popularity of the UPI, or Unified Payments Interface, as a practical and safe platform

for online transactions in India. The country's increasing use of online services and mobile phones, along with impact of internet on daily life, internet shopping, which is a major contributor of the electronic payment ecosystem, total of digital transaction amount credited with this increase. The expansion of online banking in India has encouraged financial inclusion, citizen convenience, and total economic growth as a result of the widespread availability of numerous simple and practical digital payment alternatives [8, 9]. Contactless digital payment options like BHIM-UPI were crucial in maintaining social distance during the epidemic and enabling the survival of enterprises, and even small retailers. India has become a global leader in enhancing social security through digitisation. The operationalization of online banking units throughout all of India's districts is the subject of my investigation. Each of the 29 states and the eight Union territories (UTs) currently has at least one online banking unit established. Online banking provides similar facilities as traditional banking services, with the main distinction being that users are able to access their accounts 24/7, outside of regular business hours. The facts above support the assertion that technology has had a substantial impact on bank clients, enabling them to take part in banking operations in creative ways. While customers are well-versed in automated teller machines and Internet banking, they are less familiar with and use other services like smartphone banking, credit card payments, and smart cards. Among various payment methods, credit cards exhibit the highest rate of dropouts, with wireless banking and smart cards closely following suit. In contrast, automated teller machines (ATMs) enjoy the highest acceptance percentage, second by electronic banking, credit card transactions, and wireless banking. Younger people are more likely to use automated teller machines and Internet banking than older people, with younger people adopting these technologies at a considerably higher pace. The adoption rates for mobile banking and credit cards, however, are lower. The adoption of automated teller machines and Internet banking is significantly influenced by education, with highly educated people adopting these technologies more frequently. The use of automated teller machines, e-banking, and credit cards is likewise influenced by income, the higher income groups showing higher adoption rates. Mobile banking, which turns out to be the most economical electronic banking delivery route, presents a fresh set of challenges. This study also lists a number of variables, such as speed, content, privacy, charges and fees, security, design, and accessibility, that affect the usage of ATMs and Internet banking. The adoption of ATMs is positively impacted by ease of use, quickness, design, content, and accessibility, while negatively impacted by fees and charges, security, and privacy. The acceptance of Internet banking is similarly influenced positively by speed, ease of use, privacy, security, and accessibility and negatively by cost, charges, design, and content. The survey also shows a significant link between users' satisfaction and their experience with e-banking delivery channels. Except for credit cards, users report enhanced levels of satisfaction when they experience less problems. The research's findings unmistakably show that clients value convenience and ease of banking. In order to improve service delivery, banks should investigate different strategic methods, whether they involve technological or human-based solutions. It is critical to understand that no form of technology can totally replace interpersonal communication. Computer intelligence will never catch up to human intelligence in the near future. How people communicate with their vendors of services and counterparts will continue to be heavily influenced by their individual tastes, intuition, dislikes, preferences, and other human variables. Although technology can speed up transactions, the people who created it ultimately retain the most sway and have the last word.

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