

Impact of Digital Banking Units on Digital Transactions in India

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Abstract

In recent times, digital banking has emerged as a popular channel for bringing banking services into the country and 'brick and mortar' bank stores. The Reserve Bank has been taking continuous steps to improve access to digital banking services. In furtherance of this goal and as part of efforts to accelerate and expand access to digital banking services, the concept of "Digital Banking Units" (DBUs) was introduced by the Reserve Bank. Following the announcements made by the Minister of Finance while announcing the Union's 2022 budget said that 75 banks would be established in the certified districts which banks would focus on digital trading and provide a mixed model for those who were still trying or trying. digitally, the guidelines have been prepared for the establishment of Digital Banking Units (DBUs) by commercial banks on the basis of the recommendations of the Working Group developed by the RBI comprising bank representatives and the Indian Banks' Association (IBA).

Each DBU will be housed separately, with different entry and exit provisions. They will be separated from the existing Banking Outlet with formats and designs that are most suitable for digital bank users. For the front-end or distribution of digital banking, each bank can select appropriate smart devices, such as Interactive Teller Machines, Interactive Bankers, Terminals Service, Teller and Cash Recyclers, Interactive Digital Walls, document uploading, self-help card machines, Video KYC Apparatus, secure and connected location for your digital banking, Video Call / Conferencing services, DBU setup. These resources can be provided or outsourced while following proper management guidelines. The background that combines the Core Banking System with other information systems related to digital banking products office services and services can be shared with those of existing systems through logical separation. Alternatively, banks will be able to use more autonomous native digital technologies that provide better scalability, flexibility in creating new digital environments through continuous development / deployment of software 4 and specialized communication in this business segment, based on their digital strategies. If part of a banking bank uses the API (integration layer) layer to communicate with third-party external application providers, the same should be checked in isolation / testing before integration into major banking systems supported by complete risk assessment and documentation. Banks are free to use the internal or external model to operate part of digital banks including DBUs.

The outsourced model should adhere strictly to the appropriate control guidelines regarding outsourcing. Since the purpose of DBUs is to fully integrate digital infrastructure with 'human touch', remote or local aid mode settings at the appropriate

level should be planned and implemented by banks. The establishment of DBUs should be part of the banking digital banking strategy. The effective governance and management structure of the DBUs will be aligned with that of the Digital Banking Division. However, in order to accelerate digital banking systems, each DBU will be led by a senior enough and experienced banking officer, preferably Scale III or higher at PSBs or equivalent marks in other banks that may be appointed as Chief Operating Officer (COO) of the DBU.

KEYWORDS: Digital Banking Units (DBUs), Reserve Bank of India (RBI), Indian Banks Association (IBA), Bricks and Clicks, Online Transaction, Security terms.

1. Introduction:

The first digital banking systems followed the advent of ATM machines and cards introduced in the 1960s. With the advent of the Internet in the 1980s with the first broadband, digital networks began to connect retailers and providers and consumers to develop the needs of early online catalogues and software development programs. In the 1990's the Internet came into existence and online banking began to gain popularity. The development of broadband and ecommerce systems in the early 2000s led to the modern world of digital banking today.

The rise of smart phones over the next decade opened the door to more transactions than ATMs. More than 60% of consumers now use their smart phones as a preferred digital banking option. The challenge for banks now is to simplify the demands that link merchants and money through consumer-determined channels. These variables form the basis of customer satisfaction, which can be maintained by the Customer Relationship (CRM) software. Therefore, CRM should be integrated into the digital banking system, as it provides ways for banks to communicate directly with their customers.

A Digital Banking Unit (DBU) is a specialized business unit of a bank that houses certain minimum digital banking products and services. A bank can offer specialized digital products at any time all year from these units and also provide existing financial services products.

Digital Banking refers to the current and future electronic banking services offered by a licensed bank for monetization, banking and other transactions and / or orders / tools using electronic devices / web-based equipment (ie online banking), mobile phones (i.e. mobile phones. banking) or other digital channels as determined by the bank, which includes a significant degree of automation process and a variety of service capabilities operating under advanced technical structures and a separate business model / strategy.

Digital Transactions: Digital transactions can be broadly defined as online or automated transactions that take place between individuals and organizations — without the use of paper. Chances are you've already participated in such a transaction. For example, if you bought an item and a colleague called you using an iPad instead of a cash register, you were part of a digital transaction. Or, if you have posted or signed a contract online instead of using a printed paper version, you have benefited from digital design. In both cases, digital marketing enhances self-awareness — making the task faster, easier, more accurate, and easier.

1.1 Service offered by Digital Banking Units (DBUs):

According to Reserve Bank of India (RBI) guidelines, each DBU must offer certain minimum digital banking products and services on both the assets and liabilities side, including account opening, providing digital kits to customers and merchants, onboarding retail and MSME loan customers, as well as cash withdrawal and deposit services. With time, the DBUs are expected to migrate from standard offerings to more structured and customized products using the DBU's hybrid and high-quality interactive capabilities, the RBI said.

1.2 Advantages of Digital Banking Units (DBUs):

The digital economy is growing rapidly. All parts of the economy, including commerce, financing and logistics, need next-generation solutions. The Government's focus on training human capital and launching courses in this direction is very welcome. This will also help in reskilling human capital for the new-generation economy.

1.3 Disadvantages of Digital Banking Units (DBUs):

Low public awareness and internet penetration in lower-tier cities. Further, challenges such as cyber security, data privacy and phishing need to be resolved if DBUs are to reach their full potential.

Minimum Products and Services to be offered by DBUs:

1. Liability Products and services:

(i) Account Opening: Saving Bank account under various schemes, Current account, Fixed deposit and Recurring deposit account.

(ii) Digital Kit for customers: Mobile Banking, Internet Banking, Debit Card, Credit card and mass transit system cards.

(iii) Digital Kit for Merchants: UPI QR code, BHIM Aadhaar, POS, etc.

2. Asset Products and services:

(i) Making applications for and onboarding of customer for identified retail, MSME or schematic loans. This may also include end to end digital processing of such loans, starting from online application to disbursal

(ii) Identified Government sponsored schemes which are covered under the National Portal.

3. Digital Services:

(i) Cash withdrawal and Cash Deposit only through ATM and Cash Deposit Machines respectively- no physical cash acceptance/d disbursal across counters

(ii) Passbook printing / Statement Generation

(iii) Internet Banking Kiosk which may also include facilities to provide all/majority of services available on internet banking including indent and

issuance/processing of Cheque Book request, receipt and online processing of various standing instructions of clients

(iv) transfer of funds (NEFT/IMPS support)

(v) updating of KYC / other personal details, etc.

(iv) Lodging of grievance digitally and acknowledgement thereof and also tracking of resolution status; (v) Account Opening Kiosk

(vi) Kiosk with e-KYC/ Video KYC

(vii) Digital on boarding of customers for schemes such as Atal Pension Yojana (APY); Insurance onboarding for Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY).

1.4 RBI Guidelines for Digital Banking Units (DBUs):

- According to the guidelines, permission to open DBUs has been given to Scheduled Commercial Banks (SCB) that have past digital banking experience.
- They can open DBUs in Tier 1 to Tier 6 centers without taking any permission from the Reserve Bank of India (RBI).
- The DBUs that will be opened by the SCBs will be treated as Banking Outlets.
- Each DBU has to be housed distinctly, with separate provisions for exit and entry.
- The guidelines state that the DBUs must be separate from the existing Banking Outlet with proper formats provided that will be appropriate for digital banking users.
- The SCBs will also be free to adopt an out-sourced or in-sourced model for the DBU operations.
- The outsourced model must comply with the regulatory guidelines related to outsourcing.
- The establishment of the DBUs must be a part of the SCB's digital banking strategy.
- The administrative and operational structure of the DBUs must be in line with the Digital Banking Segment of the SCBs.
- The physical security of the DBU infrastructure, as well as cyber security of the DBUs must, be ensured by the banks.
- The banks can employ business correspondents to expand the DBU's virtual footprint.
- There should be proper mechanisms to redress the grievances of the customer arising from the services provided by the DBUs.
- As per the RBI, each DBU must offer certain minimum digital banking **products and services**.
- Such products should be on both liabilities and assets side of the balance sheet of the digital banking segment.
- Digitally value-added services to conventional products **would also qualify as such**.
- The services include savings bank accounts under various schemes, current accounts, fixed deposits and **recurring deposit accounts**,

- Digital kit for customers, mobile banking, Internet banking, debit cards, credit cards, and mass transit system cards, digital kit for merchants, **UPI QR code, BHIM Aadhaar** and **point of sale (PoS)**.
- Other services include making applications for and onboarding of customers **for identified retail, MSME or schematic loans**.
- This may also include end-to-end digital processing of such loans, starting from online application to disbursement and identified government sponsored schemes that are covered under the national portal.

Prospective possibilities and demanding situations related to virtual Banking:

Opportunities:

- The internet user base is anticipated to attain to one hundred twenty billion by way of 2020 with 70% urban purchasers already using digital banking offerings.
- Authorities of India have installed and open API structure as the backbone for virtual innovation in economic services with 1 billion+ Aadhaar playing cards and a hundred and fifty million e-KYC and 40+ banks with UPI / AEPS
- virtual innovation will even allow to create infrastructure for current technologies along with Bitcoins and Block Chain era.
- on-line systems like fb, Amazon, among others, are anticipated to enter digital retail bills industry. they are predicted to leverage their subscriber base to provide digital bills services.

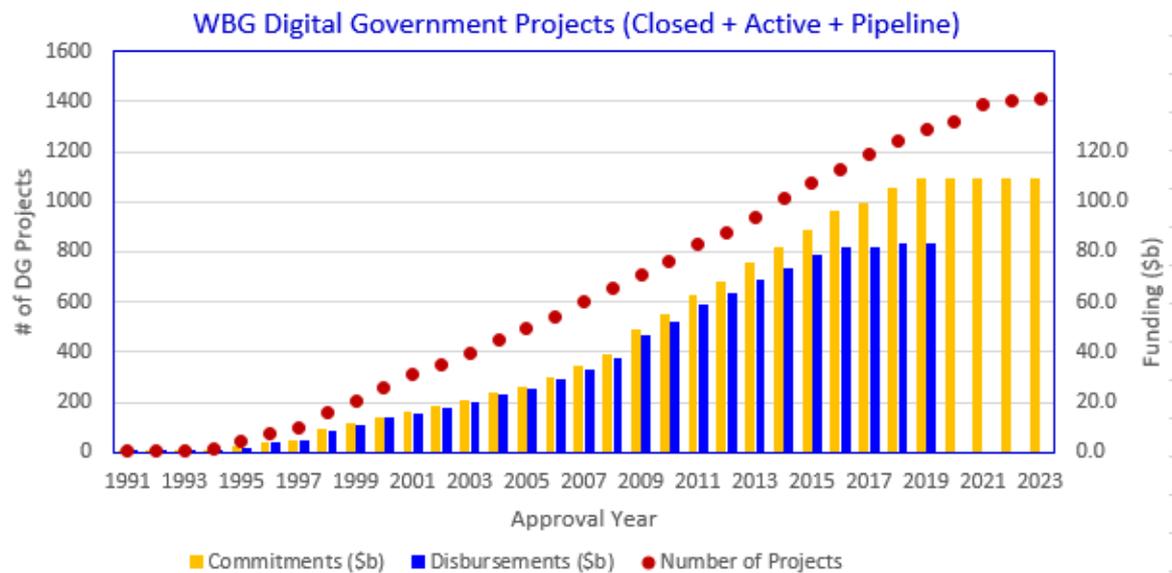
Demanding situations:

- Net connection and a smart tool such as cellular phone, pill or personal laptop is a prerequisite to apply those offerings.
- The digital literacy in India remains very low. consistent with the internet and cell association of India record (IAMAI), 2016, approximately 40% populace is dwelling underneath poverty line, illiteracy fee isn't always greater than 25- 30% and digital literacy is sort of no-existent amongst greater than 90% of India's populace.
- Safety of person's information has been a matter of subject for the reason that inception of electronic transactions and the identical may impede their adoption as nicely.
- Problem in know-how the use of the digital banking offerings. Senior residents who prefer the traditional banking structures and those who aren't tech-savvy are greater liable to this trouble. in keeping with a document on Encasing on virtual: financial offerings by using 2020, 33% of banked population isn't using virtual banking as they find it complicated to understand and operate.
- According to the equal report, 23% of banked populace experience that digital banking offerings lack transparency inside the form of hidden transaction charges.

1.5. World Bank Group Digital Government Projects:

World bank guides the different banks towards the improvements of digital activities in it. The following graph shows that, World Bank Group funding towards the development of digital banking activities in the different parts of the world.

According to the commitments of different banking activities in the world, the WBG has disbursed the funds in increasing level. By observing the graph, World Bank shows tremendous interest in the promotion and application of digital banking activities in the world.



Source: World Bank Group Digital database 2020

Impact on digital transactions:

- Expanded on the convenience offered, Digital Banking allows the user to perform 24 hours banking operations with 24 * 7 availability of banking functions.
- Digital banking-enabled fund transfers reduce the risk of counterfeit currency.
- With the integration of payment channels with online shopping portals, online shopping has become a catwalk. Internet banking has made a significant contribution to online payments.
- Digital banking enables customers to perform banking tasks from the comfort of their own home, be it an elderly person who is tired of waiting in lines or a working-class professional who is stuck at work, or a regular person who does not want to visit. Bank branch to run the same job. It also offers convenience.

2. Literature Review:

Servon, (2008). Internet banking is revolutionizing the financial industry and banking is no longer limited to branches, deposits or cash withdrawals. With the rise of technology, computer banking, direct deposit, stored value cards are being used.

Dangwal, R.C. (2010). Technology is evolving rapidly and many changes are taking place. It suggests integration of innovative applications for communication technology, information systems and product manufacturing, design and control. With the

advancement of technology, the world has become a global village and has started a revolution in the banking sector.

Seranmadevi, R (2012). Various e-banking can be attractive for potential customers in terms of accessibility, affordability and ease of use. It also focuses on the functionality of electronic credit cards, the frequency of use, the mode of repayment, the value-added features offered with credit cards for different client groups.

Haq & Khan (2013) analyzed the challenges and opportunities in the Indian banking sector. Studies show that only 28 per cent of banking customers are using internet banking after assessing the characteristics of the population. It found that there was no special relationship between age and the use of cyber banking. He also pointed out that there is no connection between gender and adoption of internet banking. He observed that qualifications in terms of education and respondents' income are playing a role in the acceptance of online banking. The study suggests that the need of the hour is to increase the financial literacy of the users through various programs run by banks to raise awareness of internet banking.

Manikyam, Ratna (2014) analyzed the impact of liberalization, privatization and globalization on Indian banks and the consequent opportunities and challenges. The study found that the biggest challenges for the collective and the banking challenge for companies and those Indian banks should come with different products to be on par with foreign banks. In addition, the study emphasized the need to create knowledge-based institutions to compete with banks globally. The above studies on e-banking have focused on its progress and its challenges. The concern is more on the technical aspects of banking. They have not focused on the digitalization of the banking sector and the various components of e-banking and how the economy will move towards becoming a cashless economy given the current state of Internet access and the various schemes launched by the government. India and RBI.

Amrut Raj Nippatlapalli (2013) in his research paper "A Study on Customer Satisfaction of Commercial Banks: Case Study on State Bank of India". This paper represents customer satisfaction, a term frequently used in marketing, a measure of how the products and services provided by a company meet or exceed customer expectations. Customer satisfaction is defined as "the number of customers, or the percentage of total customers, whose experience with a firm, its products or its services (ratings) exceeds the specified satisfaction goals." Banking in India started in the last decades of the 18th century. Century

Sanghita Roy, Dr. Inderjit Sinha (2014) stated that e-payment system in India has shown tremendous growth, but there is still much to be done to increase its utilization. Still 90% of transactions are cash based. Use of technology acceptance model for study purpose. They found that innovation, incentives, customer convenience and the legal framework are the four factors that contribute to strengthening the e-payment system.

Rakesh H M & Ramya T J (2014) In their research paper titled "A Study on Factors Influencing Consumer Adoption of Internet Banking in India" tried to examine the factors that influence internet banking adoption. Using PLS, a model is successfully proved and it is found that internet banking is influenced by its perceived reliability,

Perceived ease of use and Perceived usefulness. In the marketing process of internet banking services marketing expert should emphasize these benefits its adoption provides and awareness can also be improved to attract consumers' attention to internet banking services.

Chauhan, V. & Chaudhary, V. (2015) focused on understanding the concept of internet banking and its benefits from the perspective of consumers as well as banks and the current scenario of internet banking. The growth percentage of mobile banking from 2010 to 2014 had been the highest that is 495.64% while credit cards had seen the least growth from the same period at 11.07%. NEFT and RTGS transactions were at 602.69% and 89.29% respectively. They concluded that most of the banks have implemented e-banking facilities that are beneficial both for the consumers and the banks but then there are issues of safety, security, and reliability which the banks must adhere.

Ravish Rana (2017) author has analyzed in their article entitled on "Study of Consumer Perception of Digital Payment Mode". The article explore that last decade has seen tremendous growth in use of internet and mobile phone in India. Increasing use of internet. Mobile penetration and government initiative such as digital India are acting as catalyst which leads to exponential growth in use of digital payment.

Ansari, Seharish J. & Khan, Nisar A. (2017) have tried to analyze the progress and challenges of ebanking in India from 2011 to 2016, also throwing some light on the status of retail electronic payments in the post-demonetization period. Their study shows that the number of internet users has increased from 2,231,957,359 to 3,424,971,237 in 2016, which is around 53.45% increase during the period. Also, the penetration of internet as a ratio of population has increased from 31.8 % in 2011 to 46.1% in 2016. There has been a continuous increase in the number of debit card and credit card users. The number of transactions through credit card increased at a CAGR of 22.25% whereas the number of transactions through debit cards increased at a CAGR of 12.33% during the period of study. Post demonetisation i.e., from November 2016 to May 2017, RTGS (real time gross settlement), NEFT (national electronic fund transfer) and UPI (unified payments interface) increased at a CAGR of 4.72%, 1.95% and 60.50% respectively. Mobile banking declined continuously. Their study also mentions the challenge of increasing number of internet users and the requirement of banks to be able to meet out the expectations of these tech savvy people.

3. Scope of Digital Banking Units in India:

There are many factors affecting the scope of digital banking in India. Some of them are calculated as follows:

1. Education: Lack of knowledge about banking is a barrier for many people. Literacy rates are still very low in many parts of India. Lack of knowledge about computer and internet usage is a challenge.

2. Fear: Individuals have numerous unfounded fears about using the Internet. Cases of fraud are often out of proportion, and this increases the risk factor, resulting in a number of unsuspecting consumers panicking to use digital banking.

3. Training: There is a lot of resistance from within the banking industry. Employees are not trained to use the latest technology. They are unable to utilize the various features of digital banking and are therefore cautious about its implementation. That being said, the challenges are constantly being overcome. Even in rural areas, computers have become more literate and seek the conveniences and benefits of digital banking.

4. Objectives of the study:

- To get awareness about Digital Banking Units (DBUs)
- To know the impacts on Digital Transactions
- To keep **Black Money** Under control

5. Research Method:

Current research, the researcher has used secondary data, data collected from journals, reports and articles. Secondary data were analyzed and the impact of digital banking units on aspects of the Indian banking sector was identified. Researchers have identified the impact of digital banking units in the conduct of banking activities.

6. Findings:

- There has been a dramatic increase in digital transactions
- During FY 2021-2022, the proportion of digital payments in India has increased by 33% year-on-year (YoY). A total of 7,422 crore digital payment transactions were registered during the period, which is more than the 5,554 crore transactions seen in the financial year 2020-21, according to the Ministry of Electronics and IT (MeitY).
- Users can log in to their account at any time to monitor records.
- The government is promoting digital payments to reduce paper cash printing costs and boost the digital economy.

7. Suggestions:

The government can provide continuous media coverage about the benefits of digital payments to society and the individual through TV news / shows, radio or social networking or newspapers / magazines.

8. Findings:

Industry experts feel that the country's strong digital payment system is on the verge of growth as India has made a massive transition to a cashless economy based on cheap internet data, high smartphone penetration and easy on-boarding process. He believes that India has demonstrated its agility in accelerating the adoption of new technologies by advancing the digitization of cash transactions, improving the customer experience, providing secure and secure transaction platforms, simplifying processes and creating awareness. The purpose of digital banking units is to enable customers to access affordable and convenient access to such products and services and an enhanced digital experience in an efficient, paperless, secure and connected environment where most services are available in self-service mode at any time, all year round.

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