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CHALLENGES OF BANKING INDUSTRY IN INDIA ON THE ACCOUNT OF DIGITALIZATION OF BANKS

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ABSTRACT

The banking industry is currently facing a precedence change as if moves towards digitization. Due to many technological revolutions in the banking field there are still challenges that are to be overcome. There is a need of new ideas and methods for accomplishing tasks on a greater role with customer at the forefront of the future. E- banking in India is still in its early stage of growth and development. Changing technology and tough competition have change the face of banking. Basically electronic banking is the use of computer to retrieve and process banking data and to initiate into transactions directly with a bank via a tele communication network. In other words the banking is the wave of future. E-banking brings host opportunities as well as, poses new challenges for authorities in regulating and supervising the financial system and in designing and implementing the macro-economic policy.

Keywords : *Banking Industry, Revolution, Digitalization, Changing Technology.*

INTRODUCTION

The traditional functions of banking are limited to accept deposit and to give loan and advances. Today the situation is completely changed. Today banking is known as innovative banking. Today banks come with a lot of innovative ideas that are oriented to provides a better customer service with the help of new technologies. Indian banking sector today has the same sense of excitement and opportunity that is evidence in the Indian economy. In the competitive banking world improvement day-by-day in customer services is the most useful tool for their better growth. Banks pays an important role inthe economic development of various country as like India. Economic developmentinvolves investment in various sectors of the economy. In normal banking the banks perform agency services for their customers and help economic development of the country.

Banks arranges foreign exchange for the business transactions with other countries. Banksnot only collects funds but also serve as a guide to the customer about the investment of money.

OBJECTIVES OF THE STUDY :

(a) To explain the changing banking scenario.

(b) To identify the challenges for the Indian banking sector.

(c) To study the opportunities for the Indian banking sector.

PRESENT SCENARIO OF INDIAN BANKS :-

The present banking scenario provides a lot of opportunities as well as facing lots of challenges also. India is being fundamentally strong supported by concrete economic policies decision and implementation by the Indian Government. Today in India, the service sector is contributing half of the Indian GDP and the banking is most popular service sector in India. The significant role of banking industry is essential to speed-up the social economic development. To improve major areas of banking sector, Government of India, RBI and Ministry of finance have made several notable efforts. Many of leading rules and regulation such as CRR, interest rate, special offers to the customers such as to open account in zero balance. In addition to this, now a days banks are entered in non-banking products such as Insurance in which they have tremendous opportunities.

CHALLENGES FACED BY BANKS :

(a) Increasing competition

The emergence of Fin. Tech./non-bank startups changing the competitive landscape in financial services, forcing traditional firms to rethink their way to do business. Fin. Tech. has their way to success to provide a simplified and intuitive customer experience.

(b) Cultural shift

In this era of digital world there's no room for manual processes systems like Artificial intelligence (AI) enabled wearables that monitor the wearers health to smart thermostats that enable you to adjust beating setting from internet-connected devices, technology has become ingrained in our culture and this extends to the banking industry. This cultural shift towards a technology first attitude in reflective of the larger industry - wide acceptances of digital transformation.

(c) Regulatory compliance

Regulatory compliance has become one of the most significant banking industry challenges as a result of dramatic increase in regulatory fees relative to earnings and credit-losses since the 2008 financial crisis few of them are.

- Basel III- Published in 2009, Basel III in a regulatory framework for banksestablished by the basel committee on banking supervision. Basel III's risk weighted capital requirements dictate the minimum capital adequacy ratio that bank must maintain.

- Dodd-Frank Act- Passed during the ebama administration the Dodd-Frankwall street reform and conformer protection act placed regulations on the financial services industry and created programs to prevent predatory leading.

- CELL - Created by financial accounting standards Board, the CELL is an accounting standard that requires all institutions that issue credit to estimate expected losses over remaining life of the loan, rather than incurred losses.

- ALLL- In a reserve that financial institutions establish based on the estimated Credit risk within their assets.

There are growing number of regulation's that banks and Credit Unions must comply with compliance can significantly strain resources and is often dependent on the ability to complete data from disparate sources.

(d) Changing business models :

The cost associated with compliance management in just over of many banking industry challenges taking. The banking system to change their way to doing business. These all leads many institutions to create new competitive service offerings rationalize business lines and seek sustainable improvement in operational efficiency to maintain profitability.

(e) Rising Expectation :

Customer demographics play a major role in this heightened expectation. Mobile banking user percentage is about 47%. Here is a need of hybrid banking which satisfies the older generations and younger generation at the same time. Investor expectation's also must be accounted for become they need to know what they will receive in return.

(f) Customer retention :

Customer loyalty is a product of rich client relationships that begin with knowing the customer and their expectation, as well as implementing an ongoing client-centric approach using sentiment analysis and recognition of emotional clues they can quickly evaluate, escalate and route complex issues to humans for resolution.

(g) Outdated Mobile experiences :

A bank's mobile experience needs to be fast, every to use, fully featured (think live chat, voice-enabled digital assistances, and the like). Secure and regularly updated in order to keep customers satisfied.

(h) Security breaches :

Security is one of the leading banking industry challenges as well as a major concern for bank and credit vision. Customers financial institutions must invest in the latest technology-driven security measures to keep sensitive customer safe. Ex- AVS (Address Verification Service) E2EE (End-to End Encryption, (E2EE) for secure communications, Biometric authentication (mentioning unique biological characteristics), location based authentication (to prove an individual identify), RBA (Risk-based authentication (Varying levels of stringency).

(i) Antiquated application :

Like (AI) offers a significant competitive advantage by providing deep insights into customer behavior and needs giving ability to sell the right product at the right time to the right customer.

(j) Continuous Innovation :

Sustainable success in any business requires insight, agility, rich client relationships and continuous innovation. Cloud technology systems to evolve along with any business.

OBJECTIVES OF THE STUDY:

- To identity the level of security among customers in using these services
- To analyze the perception of internet user who do not use internet banking service.

RESEARCH METHODOLOGY AND DATA COLLECTION

Primary Data: The primary data collection was done through the observation.Secondary Data: Secondary data was collected from the following sources:
a) Books on Internet Banking b) Journals c) Bank Sites

LIMITATIONS OF THE STUDY

- Some of the respondents were reluctant to share the information with the researcher.
- Danger of giving your card Number when buying online.
- Only important products and services of Internet banking are studied. The Internet banking products and services used for this study are not concluding.
- The information about the various services and products of Internet banking being offered by the banks in India has been explored from the web sites of the banks only. No

other information source has been availed. Whatever the information was available on the websites of the banks has been used for the purpose of present study.

OBSERVATION AND CALCULATION:

The respondents were categorized on the basis of age group. The study was conductedon a general survey based on some general assumptions why Consumers are not using Internet Banking we concluded some points on which most of the age group wereresponded. These points were

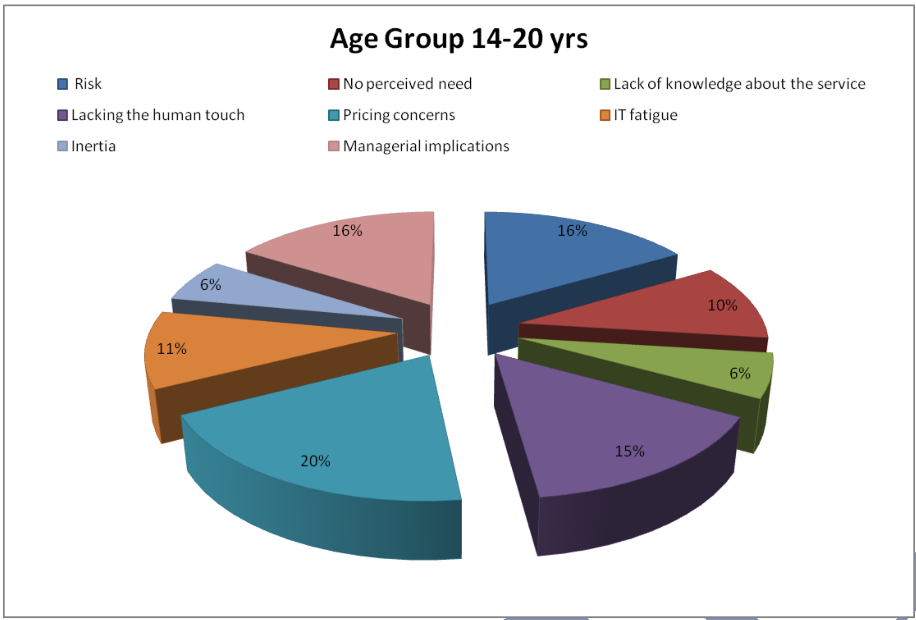
WHY CONSUMERS ARE NOT USING INTERNET BANKING

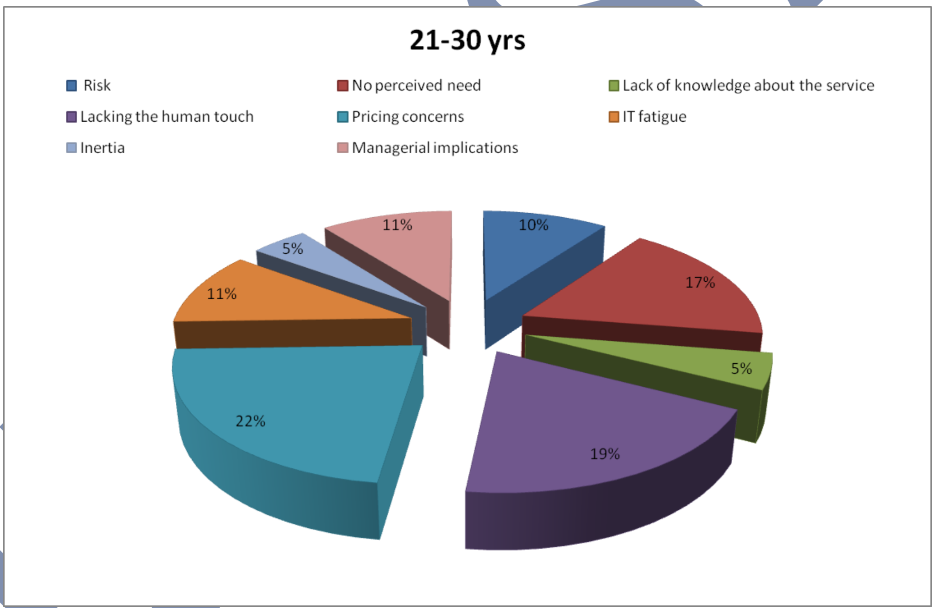
These are the following reason why consumers are not using internet banking in India.

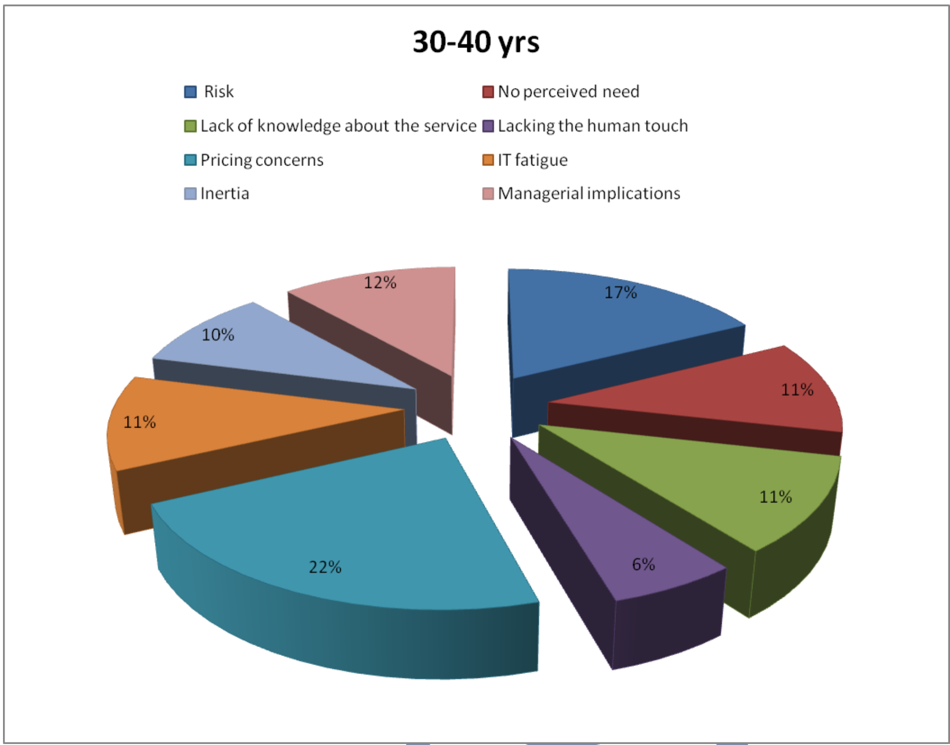
- Risk
- No perceived need
- Lack of knowledge about the service
- Inaccessibility
- Lacking the human touch
- Pricing concerns
- IT fatigue
- Inertia
- Managerial implications

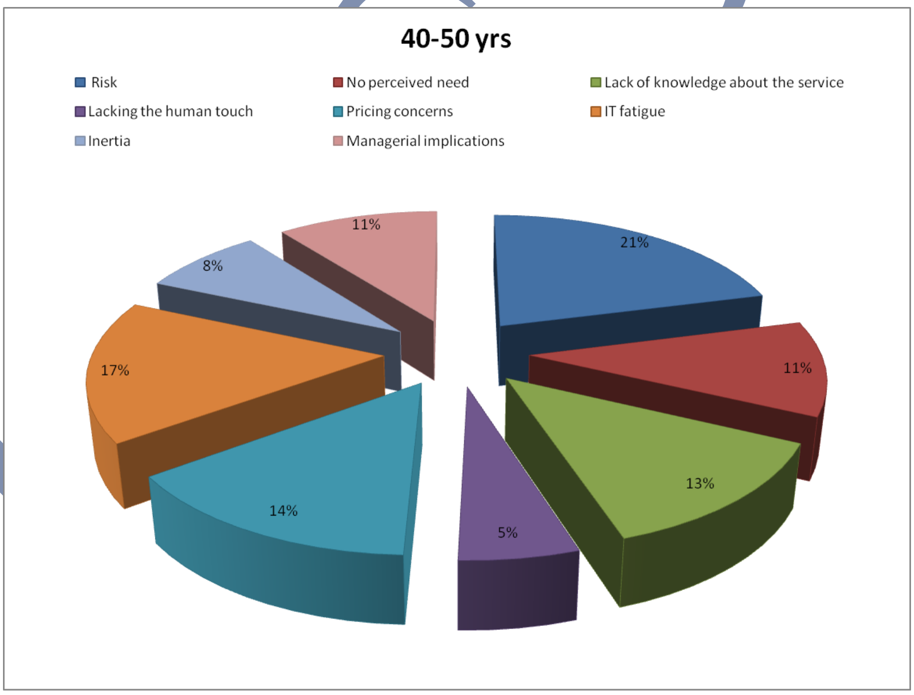
We took 200 random questionnaire surveys to find the main reason of feeling of insecurity of the internet banking. The observations were tabulated below. And the graphswere drawn to draw a distinguished effect.

	Age Group			
	14-20 yrs.	**21-30 yrs.**	**30-40 yrs.**	**40-50 yrs.**
Risk	33	20	35	42
No perceived need	21	35	22	22
Lack of knowledge about the service	12	10	22	26
Lacking the human touch	30	39	12	11
Pricing concerns	39	45	45	29
IT fatigue	21	21	22	33
Inertia	12	9	19	16
Managerial implications	32	21	23	21


Age Group 14-20 yrs
Risk
No perceived need
Lack of knowledge about the service
Lacking the human touch
Pricing concerns
IT fatigue
Inertia
Managerial implications
16%
10%
6%
15%
20%
11%
6%
16%


21-30 yrs
Risk
No perceived need
Lack of knowledge about the service
Lacking the human touch
Pricing concerns
IT fatigue
Inertia
Managerial implications
10%
17%
5%
19%
22%
11%
5%
11%





FINDINGS:

It was found on the basis of the graph drawn from the findings that the old age persons were most unreliable towards the security of banking services on digital basis. Risk were found most imperial factor of unsatisfaction in age group 40-50 yrs. , No perceived need were found most imperial factor of unsatisfaction in age group 21-30 yrs., Lack of knowledge about the service were found most imperial factor of unsatisfaction in age group 40-50 yrs. , Lacking the human touch were found most imperial factor of unsatisfaction in age group 21-30 yrs., Pricing concerns were found most imperial factor of unsatisfaction in age group 21-30 and 30-40 yrs. , IT fatigue were found most imperial factor of unsatisfaction in age group 40-50 yrs. while similar for rest 3 age groups. While Inertia was found most imperial factor of unsatisfaction in age group 30-40 yrs., in last Managerial implications were found most imperial factor of unsatisfaction in age group 14-20 yrs.

CONCLUSION :

Indian bank is trust worthy brands in Indian market, therefore these banks must utilize their brands equity as it is a valuable asset for them. Various challenges and opportunities like transparency, growth in banking sector global banking, managing technology etc. Banks have to strive very hard to deal with competition. The competition from global banks and technological innovation's all are the world compelled the banks to rethink their policies and strategies, finally the banking sector will need to master a new business model by building management and best customer service.

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