

An Empirical Study of Innovative Digital Banking Services In Indian Economy

Dr. D. V. Ingle¹

¹*Associate Professor, Smt. L. R. T. school of Commerce, Akola. 444001. India.*

Abstract

Innovation and technology have smoothened the way of change in financial services. Over the year Indian financial services providers have carefully adopted technology to supply services to increase operational efficiency in the growing market. Traditional financial services providers have recognized digital services as a reliable mode to develop the financial business. Financial technology institutions are modifying the role of digital technologies to line up new business and aim new market segments. RBI is enabling the event of innovation in digital financial services sector to multiply the reach of financial services for unbanked population. Innovation in digital financial services is the vision for use of technology to supply new financial product and services in an economical mode. Innovation in digital financial services is progressively appealing for all the key stakeholders in India's financial services. Trade Regulators, Banks, NBFCs, Payment Banks, Investors, Payment Service suppliers, Broking and Wealth Management corporations, Insurance supplier's are pure player in digital financial services providers.

Keywords: Financial Services, Innovation, Digital Finance, Internet Economy and Financial Product

1. Introduction

Digital transformation takes place in each trade, banking, financial, production, medicine, healthcare, tele-communication and retail etc. This ends up in creativity and innovation of growing digital technologies with completely new business model, transforming the competitive environment. So as to achieve success in digital transformation, organization concentrates on reshaping client expectations and reworking their operations with digital technologies for bigger client interface. Financial services developed in banking, wealth management and insurance sectors. Delivery of digital services has witnessed major modification from human led interface to machine led interaction, so as to enhance accuracy, and fraud management. This can be effective by introducing computer science, machine learning, block-chain, massive information and social media in financial services. Digital Transformation is the key driver of connecting world by dynamics of population and radically raising the business growth. Socio-economic activities, large populations and globalization are the key factors for the modification of world expectations. Client expertise, competition and restrictive directions are major driving factors for digital transformation. Technology adaptation becomes essential so as to deliver the service on-demand employing a mobile app by lowering the cost of services across the globe. The emergence of smart phones is enhancing mobiles from an easy communication device to a full-fledged payment device. Recent initiatives of Jan Dhan Yojana, Aadhaar Attachment, Mobile Use have created optimistic surroundings for large scale recognition of digital payment in India. Execution of digital technologies for a new business is ready as prime priority.

2. Review of Literature

Merton and Bodie (1995) expressed their views that technological advances in computers that started within the Nineteen Sixties considerably reduced the price of financial transactions and created additional economical means that for financial markets across the globe to attach to the leading a worldwide financial network
Papastatho poulou et al. (2006) found that within the case of radical financial innovations, the participation of promoting powerfully affects the financial performance. Though, for progressive services, the participation of technological groups had the strongest effects on the management of the new financial service.
Hauser et al., (2006) found that innovation in product, services, or trade models drive the financial growth and communal changes are main supply of firm segregation in today's competitive markets
Barczak et al., (2009) innovations perform a important role within the action or failure of companies. On average across all industries, profits come back from their innovative services and product

Mukherjee (2011) mentioned the role of digital services to bring growth within the rural sector. The ICT is in advancement and enjoying a crucial role in every sector of the society. The character of the need becomes any sensible since the client feeling changes drastically.

Nejad and Estelami, (2012) the pace of financial innovations has accumulated since the impetus of technological advances within the areas of digital economy, the internet, telecommunication, and mobile. Samples of such financial innovations are the web and mobile financial transactions, growth of electronic payments and exchanges process, new payment services like Apple Pay and automaton Pay, cash administration like Google Pay, digital currency like Bitcoin, peer-to-peer loan services websites, usag-based insurance, and Longevity bonds and swaps.

Pallab Sikdar and Munish Makkad (2013) studies the advantages that has from the purpose of bank's business. Net banking, a major ingredient of e-banking framework, has modified the dynamics of financial services worldwide.

Gurpreet Kaur (2015) Studies the consequence of digital India initiative on the project of economic inclusion. The digital India initiative will simply connect the various teams of society and might facilitate to attain the target of economic inclusion through digital banking.

Dr. N. Sundaram and M. Sriram (2016) Discusses on financial inclusion within the Indian perspective mentioned by different researchers everywhere and to focus on the awareness level of economic inclusion, digital financial inclusion and barriers confronted to financial access.

Dr. P. Vijay Kumar (2016) Studies the trends in banking sector for financial inclusion, and technology in India. The recent initiatives taken by Government of India to boost to market financial inclusion and positively resulting in the place wherever all Indians have their bank accounts, using technology enabled services.

3. Objectives of the Study

Objective of the study are-

1. To review the meaning of digital financial services.
2. To study the kinds of digital financial services.
3. To spot the Govt. initiatives towards digital financial services.
4. To review the benefits of digital financial services.

4. Methodology

The study is based on the secondary data during COVID-19 and collected from journals, magazines, analysis articles, periodicals, and websites.

5. Limitations

The information regarding digital financial services is generally secret and it is not publicly shared. Luck of such data creates barriers in conducting such study.

6. Aspects of Digital financial Services

The wide range of financial services accessed and delivered through digital channels, as payments, credit, savings, remittances and insurance are called digital financial services. In this context, the term digital channels refers to the net, mobile phones (both smart-phones and digital feature phones), ATMs (Automated Teller Machines), POS (Point-of-Sale) terminals, NFC (Near Field Communication) enabled devices, chips, electronically enabled cards, biometric devices, tablets, phablets and other digital system. There are 3 key elements of any such digital financial services:

i. A Digital Transactional Platform

ii. Retail Agents And

iii. The utilization by Customers and Agents of a tool Banks, microfinance establishments, mobile operators, and third-party suppliers are leverage mobile phones, location devices, together with networks of small-scale agents, to supply basic financial services at bigger convenience, scale and lower price than traditional financial services.

7. The Major Digital Financial Services are As Follows

7.1. Cards

Cards are issued by banks and classified on their supply, usage and payment by the card holder. Usually there are three sorts of cards.

i. Debit Cards

These are issued by the bank where we have an account. These are connected to the bank account. Debit cards are issued to account holders (current, savings and overdraft) and any payment created instantly debited to user's account. User is free to use this card to withdraw money up to the limit approved in connected account.

ii. Credit Cards

These are issued by banks and different entities allowable by banking concern of. These are used across the country and internationally once it's enabled for international use. In case of credit cards, a client can withdraw. However there's a limit for every card up to that extra cash are often withdrawn. This add of cash is paid back to the bank together with interest charges applied by the financial institutions.

iii. Pre-paid Cards

These are pre-loaded from a customer's checking account. These are used for restricted dealings. These are recharged like mobile recharge and are safe to use.

7.2. AEPS (Aadhaar Enabled Payment System)

AEPS is a payment service empowering a bank client to use Aadhaar as identity to access Aadhaar enabled checking account and perform the fundamental banking transactions. It permits bank-to-bank dealings at POS (Micro ATM) with the assistance of banking correspondent (BC). The user must seed account with their Aadhar variety at bank or with the assistance of B.C.

7.3. UPI (Unified Payments Interface)

Unified Payments Interface may be a system for immediate electronic payments through user's smart phone. It's a sophisticated version of cash Service (IMPS) that was accustomed transfer cash between bank accounts. Like IMPS, UPI can facilitate funds transfer service. It authenticates the distinctiveness of the user credit card. It works 24x7, 365 days.

7.4. E-Wallet

Electronic wallet may be a reasonably electronic card that is employed for financial services created on-line through a laptop or a smart phone. The utility of e-wallet is same as a credit or debit card. The e-wallet must be connected with the individual's checking account to create payments. The objective of e-Wallet is to create paperless cash operation easier. E-wallets classified as postpaid payment instruments (PPIs). PPIs square measure payment instruments that create simple the acquisition of products and services, with funds transfer., PPIs is issued as good cards, magnetic tape cards, net accounts, net wallets, mobile accounts, mobile wallets, paper vouchers, and any such instrument which is accustomed access the pre-paid. It's an internet platform that permits a user to undertake numerous transactions. It provides mobile-based money services to the unbanked and people living within the distant geographical locations.

7.5. Balance Enquiry

User can check the accessible balance of the checking account connected To The Mobile variety.

7.6. Mini Statement

User generate mini accounting for the checking account connected to the mobile variety.

7.7. MMID

Mobile cash Identifier User grasp the MMID assigned by the bank to the account throughout mobile banking registration.

7.8 Generate and alter M-PIN

User can Generate and alter the M-PIN (Mobile PIN) that is sort of a countersign and used for authenticating money transactions.

8. Government Initiatives towards Digital money Services**i. IRCTC e-Wallet.**

In order to cater to the growing demand of passengers and to create the ticketing application easy and quicker IRCTC Connect is developed. The new app with many features is available for next generation e-ticketing system. . Coordinated with the ticketing web site, the app facilitates, search and book train tickets, check existing reservations or cancel them, and obtain journey alerts.

IRCTC e-Wallet may be a service that user deposit cash with IRCTC and be used as payment gateway in conjunction with different payment choices accessible on IRCTC for paying cash at the time of booking tickets. IRCTC e-Wallet provides the following advantage.

- i.Hassle-free and secure transactions.
- ii.Benefit of saving payment gateway charges per price tag.
- iii.Manage account on-line and top up on-line.
- iv.Dependency on a selected bank is reduced as once any of the provided banks go offline, passenger's still book tickets from their IRCTC e-Wallet account.

ii. Direct Profit Transfer (DBT)

DBT was started by GOI for the delivery arrangement in welfare schemes for easier flow of funds and to make sure the beneficiaries to avoid repetition and scam. DBT aims to bring effectiveness, transparency and responsibility within the Government system and infuse confidence of citizen within the governance.

i.UTS

The Mobile Application-UTS App introduced by Indian railway to promote paperless financial services. Indian Railways has launched its new UTS on mobile application. This official permits booking unreserved paperless journey ticket; issue ticket and platform ticket. The app has introduced two modes of booking mobile tickets-Paper ticket and Paperless ticket.

ii.BHIM (Bharat Interface for Money)

BHIM is app that creates payment transactions straightforward, simple and fast. It permits direct bank to bank payments instantly and collects cash using a mobile number or payment address. This app is presently accessible and downloadable from Google Play store, for smart phones.

iii.Pradhan Mantri Gramin Digital Saksharta Abhiyaan

This set up empowers the people in rural areas by getting ready them to work on laptop or digital access devices like tablets, smart phones etc. The scheme aims to bridge the digital gap specifically targeting the agricultural population together with the marginalized section of society like scheduled Castes (SC) scheduled Tribes (ST), Minorities, Below poverty level (BPL), girls and differently-abled persons and minorities.

iv.Paygov

India's Ministry of Electronics And Information with NSDL management Ltd (NDML) created a typical infrastructure which can be used for facility to create on-line payment using internet banking, credit cards and debit cards.

v.PAHAL DBTL

(Pratyaksh Hanstantrit Labh Direct profit Transfer of LPG) scheme aims to minimize diversion and eliminate duplicate or counterfeit LPG connections. Under the PAHAL theme, LPG cylinders are sold at market rates and entitled customers get the subsidy directly in their bank accounts.

9. Advantages of Digital Financial Services

Digitization of financial transactions extends the traditional quality edges to finance, facilitating anyplace, anytime transactions, and elasticity in receiving payments. The advantages are-

9.1 Cost-Effective

Digital financial services normally provide cheap, simple to induce. The conversion of cash, the fast internet access, and also the adoption of mobile phones, have created the proper conditions to create it cheap, spend, offer and borrow.

9.2 Secured Dealing

Financial control in a digital dealing account is secure, and other people have assurance that cash can go solely to the selected recipient, with a record of dealing.

9.3 Use Of A Various Set Of Alternative Financial Services

It includes credit, insurance, savings, and financial education, money-transfer services, microloans, and insurance.

9.4 Creates Distribution Business Models

Mobile and web banking improve the financial inclusion within the country and may produce win-win scenario for all parties within the value-chain.

9.5 24x7 Accessibility

A digital service enables shoppers with the power to form or receive a payment at any time of day or night, any day of the week.

9.6 Eco-Friendly

The conversion can facilitate in maintaining the information and records on a digital medium which is eco friendly.

9.7 Maintains Payments History Record

One of the advantages that a digital finance keeps the transactional record. Even doing tiny transactions gets recorded and may be used for the record purpose in future.

9.8 Potential Channels

Digital modes of enhancing financial inclusion for ladies by targeting help teams (SHGs) may well be one potential channel for fast and promoting digital financial inclusion in India.

9.9 Reduces Risks

It reduces risks of loss, theft, and alternative financial misconducts expose by cash-based transactions.

10. Conclusion

For the digital use in business, finance services must modify. A holistic co-operation between users and Government are often the road-map to enjoy the benefits of digital finance. The application of technology will improve the payment services. Financial freedom can offer management of weaker sections of society with motive of digital finance. Adopting change in financial services together with most of population within the internet can facilitate growth and development of country. With many digital financial instruments in the market, the buyer currently has additional selection than ever before. Innovation may be a vital issue and a necessity for of the stakeholders of society. The foremost necessary factors for achievement in financial services measure customer's trust, convenient processes, low-priced transactions and powerful client base. The conclusion is that innovation in digital financial services movement is powerfully supported by new generation and their digital nature and exerting positive impact on delivery of financial services.

References

- Praveen Gupta (2011) Business Innovation In The Twenty First Century, S. Chand And Co. Ltd., New Delhi.
 Valerio Lemma (2018) Fintech New Regulations, Palgrave Macmillan, New Delhi, 2018.
 H. Prasad, Digital Financial Literacy: A Study of Households of Udaipur, Global Journal of Advanced Research, Vol-4, Issue-5, pp. 201-209.
 Ms. Priyanka Tanwar (2017) A Stepping Stone Towards Digital Economy & Financial Inclusion Through Digital India, International Journal Of Science And Management, Vol-6, Issue-4.