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DIGITAL BANKING SYSTEM IN KARNATAKA- A STUDY

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Abstract: Over the past few years, India's banking sector has been challenged by substantial disruption and transition. As a result, the country's banks are experiencing rapid transformations. As a result, they are putting strong focus on emerging technology in order to keep pace with multinational rivals that have a broad variety of sophisticated services. As part of this digitization initiative, the Indian government has assigned itself a target of making India's population as digitally literate as possible in a wide range of fields, including social care provision, transfers, and transactions, and even formal banking. In order to meet this rapidly increasing digital citizenry's demand that India's banks go beyond merely keeping pace with global practices, but also that they build fresh, uniquely Indian goods, services, and business models, the country's people must ensure that their banks leapfrog well beyond their global peers and establish new, cutting-edge solutions. The current study is based on highlighting the digital banking industry in the last 6 months based on secondary data collected from the RBI Sources. The findings of the study conclude that the graph of digitalization is increasing every day. Digitalization of banking sector is becoming a boom to all the beneficiaries of Indian Financial system.

Key words: Digital Banking, Digitalization, ATM's, Debit cards, Credit cards

1. INTRODUCTION

The banking business is evolving forever as technology advances. Mobile transfers, e-bill payments, and online withdrawals have also become commonplace. Many groundbreaking technology, such as artificial intelligence and deep learning, have been rapidly embraced as a result of the increased demand for automated banking services.

Digital banking is a term that refers to high degrees of digitalization, from front-end to back-end, of various banking processes. Artificial intelligence allows automated banks to simplify a number of activities related to data collection and logistical tasks. As a consequence, in coping with routine and time-consuming jobs, workers face less burden. The key benefit of digital banks is that they allow deposits to be made directly by users. In addition, digital banking allows money management systems to be customized and allows consumers to apply for loans quickly. There are several startups that offer online banking that are tech-oriented. Traditional financial institutions, on the other hand, are not far behind and provide a range of online services, including account transfers and bill payment.

Internet banking comes before mobile banking, the next step in the development of banks. Mobile banking is also more useful so consumers can complete all of their purchases on their smartphones. Legacy banks today recognize that internet services are a must, while digital-only banks do not require any physical position to offer customer care. Millennials and Generation Z want to be able to move money and manage their accounts from any place at any time. As a result, the development of digital banking will continue.

1.1 Legal controls on Digital Banking

As reported in the December 4, 2020 Declaration on Developmental and Regulatory Policies. The Reserve Bank of India released the "Master Direction on Digital Payment Protection Controls" on its website today.

The Master Directorate provides the necessary guidance to create a comprehensive governance system for the Controlled Institutions (Scheduled Commercial Banks, Small Finance Banks, Payment Banks and Credit Card issuing NBFCs) and to enforce common minimum security control requirements for digital payment products and services. The recommendations are agnostic technologies and framework and will create an improved and empowering atmosphere for consumers to allow more secure and secure use of digital payment items.

In the following areas, the Master Direction generally consolidates critical control aspects: Governance and Security Risk Management, Generic Security Measures, Application Security Life Cycle (ASLC), Authentication Process, Fraud Risk Management, Reconciliation System, Customer Safety, Recognition and Dispute Resolution Mechanism, Internet Banking basic controls, Mob Risk Management Mechanism, Customer Protecti

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2. LITERATURE REVIEW

- The article titled "A Literature Review on the Effect of Digitalization on the Indian Rural Banking System and Rural Economy" was published by Dr. Arunangshu Giri and Ipsita Paria (2018). The current paper discusses and summarizes numerous studies on the effect of digitalization on India's rural banking system undertaken by various scholars from various locations throughout the world. The study showed that digital banking has an immense ability to modify the financial inclusion environment. The study also discovered that low-cost, simple-to-use digital banking would hasten the penetration of the unbanked economy into the mainstream.
- The article entitled "A Report on Digital Payments in India with a Customer Acceptance Viewpoint" was published by K. Hema Divya and K. Suma Vally (2018). This paper focuses on an overview of the extent of acceptance by consumers of digital payment systems. In Hyderabad, 183 people were polled for primary results. Using chi-square methodology, the data collected via questionnaire was analyzed. According to the report, the use of technology for digital payments has enhanced the banking sector's efficiency and allowed the country to achieve its target of being cashless.
- The essay "An Outline of Digitalization in the Indian Banking Industry" was written by Anthony Rahul Golden S. (2017). The aim of this article is to analyze the overall status of digitalization in the Indian banking sector. Banks are not only a part of our lives, but they also play a crucial role in them. As a result, banks are continuously trying to implement emerging technology in order to boost the consumer experience. The report found that the banking industries in India are facing some remarkable changes as well as challenges due to the implementation of this digitalization. The analysis also discovered that, because we are living in the modern age, we cannot escape the development and services of digital banking.
- Article entitled "The Effects on Digitalization on Banking and Financial Stability" Santiago Carbo - Valverde (2017). The aim of this article is to address the effect of digitalization on banking operations as well as the challenges it presents to financial stability. According to the report, digitalization has the ability to lower marginal costs and improve competitiveness in financial services.

3. OBJECTIVES OF THE STUDY

- To study the technological advancement in digital banking in India
- To study the current scenario of digital banking in India

4. RESEARCH METHODOLODY

- Secondary data collected through report of RBI
- The data is collected for the last 6 months

5. DIGITIZATION IN BANKING INDUSTRY

5.1 Milestones in Digital Banking in India

The Indian government is working hard to encourage digital transactions. The implementation of Unified Payments Interface (UPI) and Bharat Interface for Money (BHIM) by National Payments Corporation of India (NPCI) is a step in the right direction for creativity in the payment systems domain. People who want to move money from separate accounts within the same bank do not have to define the account data, because it is possible to access their money via a mobile app using UPI (Universal Payments Interface). In the 21st century, banks strive to deliver fast, accurate, and quality banking services to their customers. Today, banks around the world are seeking to accelerate their digitization activities.

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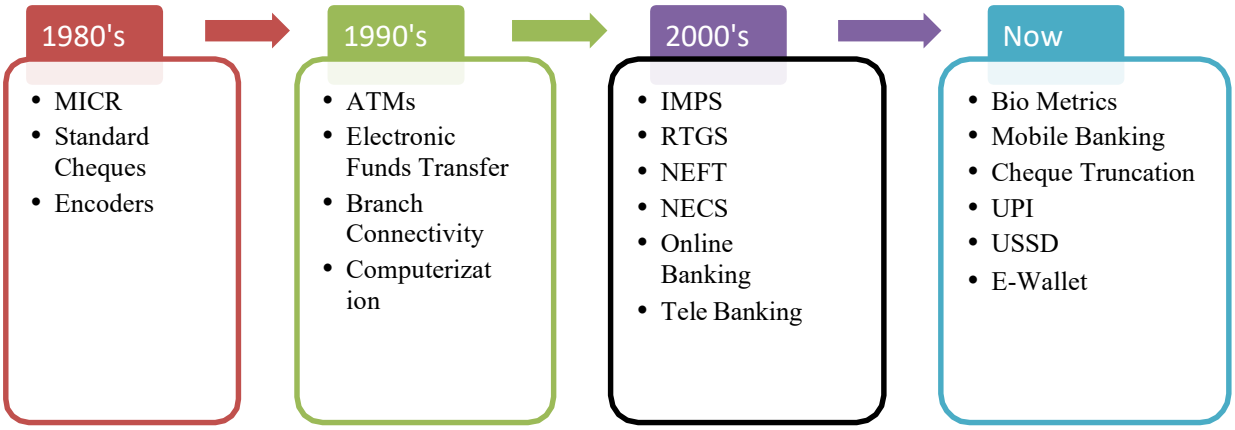
Figure 1: Technological developments in digital banking in India



It is part of the program's aim to promote cashless transactions, and thereby drive India towards a cashless society. Multiple digital payment solutions are available to help realize this goal.

- Merchant-ready for online/offline use, perfect for debit/credit card purchases. The cap has been set by the card issuer. The card number information is needed.
- High value internet transfers: Perfect for RTGS/NEFT transactions. Transaction caps are at least 2 lakh, and there are no upper limits. It is required to provide account number, password, beneficiary registration, and IFSC code when supplying account information.
- The Immediate Payment Service (IMPS) is ideal for instantaneous transfer. Transaction caps go up to a high of two lakh rupees per day. To build an account, you must have your account number, password, beneficiary registration, and the IFSC code.
- UPI (Unified Payment Interface): A swift and easy method for moving money from one user to another. All transactions up to 1 Lakh in value are sponsored. Please have a Virtual Payment ID (VPA)for each recipient.
- The mobile phone doesn't have internet access, making the Unstructured Supplementary Service Data (USSD) service ideal. You must have an Aadhar number, IFSC or code given to you by a bank to register.

An E-Wallet: Perfect for limited ticket purchases. The cumulative transaction cap per month is 20,000 (or 1 lakh for KYC-compliant wallet holders). You must enter your login ID.

5.2 Current status of Digital Banking in India

Table 1: ATM, Acceptance Infrastructure and Card Statistics for the last 6 months 2020(1 to 6)

Month	ATMs		PoS		MicroATMs	Bharat QR
	On-site	Off-site	On-line	Off-line		
	1	2	3	4	5	6
DEC	114045	94435	5741106	0	356023	3199878
NOV	114475	94807	5418759	0	356699	3045650
OCT	114285	95596	5394177	0	349116	2604546
SEPT	113981	96068	5186316	0	327620	2396252
AUGUST	112968	96142	5106522	0	307173	2299411
JULY	113577	96412	5080149	0	305701	2236878

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Table 2: ATM, Acceptance Infrastructure and Card Statistics for the last 6 months 2020(7to11)

Month	Credit Cards				
	No. of outstanding cards as at the end of the month	Transactions(Actuals)		ue of transactions(Rupees Lakh)	
		ATM	PoS	ATM	PoS
	7	8	9	10	11
DEC	60397171	502048	174207947	24669	6360056.517
NOV	60113014	464824	166257081	23133	6234971.611
OCT	59419834	485208	171802593	24048	6465148
SEPT	58694212	437052	149059215	21701	5113966.88
AUGUST	57830597	366552	142898722	18380	5031906.284
JULY	57632047	330114	132321200	16698	4556763.791

Table 3: ATM, Acceptance Infrastructure and Card Statistics for the last 6 months 2020(12 to16)

Month	Debit Cards				
	No. of outstanding cards as at the end of themonth	Transactions(Actuals)		ue of transactions(Rupees Lakh)	
		ATM	PoS	ATM	PoS
	12	13	14	15	16
DEC	886418288	591521092	379177310	30648320.66	6467610.732
NOV	892702010	609657876	378977263	31378732.51	6735662.699
OCT	874165072	587989910	395324498	30554359	6859088
SEPT	865435000	519191618	352878514	26300614.47	5484704.018
AUGUST	858710451	496886217	340869732	25540787.24	5427713.775
JULY	852355001	479161922	318383225	25002924.76	4983981.831

6. RECOMMENDATIONS AND CONCLUSIONS

6.1 Recommendations

- Instead of adopting an existing default environment, the technical staff can do everything possible to prevent data loss with the use of highly trained and qualified technicians in the field of computers.
- Seminars and conferences should be performed by banking experts on the effective use of e-banking services in particular for those who are self-explanatory ATMs or who are unable to program a computer.
- In order to be able to reward the needs and requisites of customers, e-banking services should be personalized based on age, gender, occupation, and other aspects. In order to magnify developments in well-furnished construction and infrastructure, the government should further expand investments.
- It is important for banks to pay attention to additional resources such as blogs, social media connect, and mobile banking.
- When it comes to cyber attacks, banks should take caution; in readiness for those threats, banks should be ready. Performance for consumers should be a priority, and content should be understandable by all. Content also should be provided with demonstrations and help to minimize fear.
- The new rules constrain banks to introduce their digital offerings, making it possible for new entrants to enter the market.

6.2 Conclusion

Although there are so many changes that can be made, market analytics and AI (AI) has the potential to bring about a major shift. Robotics, allowed by AI, is expected to be the more important long-term game-changer within the financial sector. A number of private banks are having the ability to use Robotics for customer support, investment advice, and credit-approval procedures to optimize their offerings and, all things considered, be more cost-effective at the end of the day. With digital banking predicted to overtake banking within the next decade, it has already been the leading option for the majority of people.

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During the COVID-19 pandemic, there has been a negative economic effect, but it is also causing digital change through all sorts of market models, platforms, and touchpoints. This is a crucial step in relation to this whole move; the need for prominent hierarchical nimbleness and tight relations with clients are central to the transition taking place in our country. It's very difficult for companies and customers to anticipate the system of computerized transition, because the process itself is uncertain and boring. As financial institutions and transaction transfers are two primary business organizations, their computerized assistance and preference are also at the heart of many consumer territories. While the transition toward modern computerized technologies is not new, the outbreak of the pandemic has radically accelerated the pace at which these innovations are adopted. This has long-term implications for the financial industry.

The digitalization has proliferated in every industry. Much as in anything else, there are positives and drawbacks in the introduction of digitalization in the banking industry. With respect to the drawbacks of digitalization, fraud may be a problem. With the linkage of bank accounts to other kinds of details, the offenders are trailing right behind. There is only one way out, and that is to enforce tighter laws and legislation as well as an enhanced surveillance infrastructure. The digitalization cannot be carried back to the former, easier form, but a modern and more complex system of implementation may be devised.

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