

# Adoption of Innovative Technology of Digital Banking System in an Emerging Economy with SWOT Analysis

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**Abstract:** Today banking is known as innovative banking, information technology has given rise to new innovation in the product designing and their delivery in the banking and finance industries. Digital banking is most important technology for developing transforming financial services industry and financial market. Digital banking sector are doing the provisions of financial services and markets using electronic communication and computation. They consider the implication for safety and soundness regulation, competition police, consumer and investor protection and global public policy. Central bank regulates both digital banking activities and traditional banking activities. Digital banking improved transparency and differential in pricing, potentially increases competition and reduces profit margins, provide improved transformation of distribution channels. Digital banking is one of those types of business, who constantly looking at upgrading their technological prowess for better customer service. It improves their productivity and competitiveness.<sup>1</sup>

**Key Words:** Role, SWOT, Digital Banking, Function and analysis.

## 1. INTRODUCTION :

Banking sector led the early commercial adoption of mainframes in the 1960s, the rollout of large-scale credit card and ATM networks in the 1970s, electronic trading in the 1980s, and the early move into online banking, personal financial management solution (PFM) in the 1990s, online banking is built into Microsoft Money in 1994 as per result 100,000 households begin accessing their bank account online. After the launch of android phone customer shifting toward digital banking from desktop computers to smart phones. Digital banking start slowly but now it is picking very fast footsteps in economy. It is growing gradually and most of the banks are offering digital banking services. Fintech have started collaborating with banks across multiple areas and have begun helping the bank in building innovating products/services like lending, deposits, payments, investment, insurance etc. The facility of smart phone, social network, downloaded apps, clouds and digital banking are facilitate customer to choose providers, compare pricing & interest rate, review recommendations and completing purchasing.

### 1.1 PRESENT STUDY IS MAINLY CONFINED UNDER THE FOLLOWING OBJECTIVES:

- To study the role and status of digital banking in current scenario and its future prospective.
- To study the functions of digital banking along with various digital financial products
- To analyse SWOT

## 2. RESEARCH METHODOLOGY :

Present study is based on secondary data and information which is collected from various journals, books, magazines and web services.

### 2.1 MEANING OF DIGITAL BANKING:

The digitalization of banking activities and services called digital banking. It involves the digitization of all the traditional banking activities and programs that historically only possible after going physically into the branch of particular bank like money transfers, managing account, trading of financial products, bill paying activity, management of loan etc. Online banking focuses on digitizing the “core” aspects of banking but digital banking encompasses digitizing every program and activity undertaken by financial institutions and their customers.

Financial services industries like banks have been accelerated by the digitization. Digitization is essential for making digital banking smooth and seamless for bank customers. Banks of all types and sizes across in whole economy are making huge investments in digital initiatives in order to maintain a competitive edge and deliver the maximum to its all customers according to their expectations.

## 2.2 DEFINITION OF DIGITAL BANKING

Digital Banking is a new concept in the area of electronic banking, which aims to enrich standard online and mobile banking services by integrating digital technologies.

In other words “Digital Banking is the application of technology to ensure seamless end-to-end (STP in the 'old' jargon) processing of banking transactions/ operations; initiated by the client, ensuring maximum utility to the client in terms of availability, usefulness and cost; to the bank in terms of reduced operating costs, zero errors and enhanced services.

## 3. ROLE OF DIGITAL BANKING

Digital banking is the latest technology in present scenario. Digital banking easily enables bank customers to get access to their accounts and general information on bank products and services through the use of digital technology of banks at any time and from anywhere around the world which is not possible in conventional banking systems due to timing limitations and compulsion of physical presence of account operator / holder at the bank. Digital technology developments in the banking sector have sped up communication and digital transactions for the customer. The extended digital banking feature maximizing the advantages for both customer and service providers. Digital banking is the cheapest delivery channel for banking products that's why the entity able to reduce their cost. Due to digital banking the performance of banks increases day by day. Digital banking is becoming the indispensable part of modern time period. Digital banking will involve new innovative products and faster services that were not provide in traditional banking service models. This could involve enabling instant transactions and help people to manage their multi-bank financial portfolio. Since Digital banking is a new technology that has many capabilities and also many potential of solving problems.

## 4. FUNCTIONS OF DIGITAL BANKING: - Following are the main function of digital banking in economy

- Digital fund transfer
- Digital bill payment
- Getting digital account details and statement of account at one click
- Easy digital trading of financial products
- Avail DEMAT and IPO services
- Setup Standing Instructions for digital banking
- Digital issue of Demand Drafts & other documents
- Promote digital investment activity
- Digital operations of multiple accounts
- Credit beneficiary accounts using the VISA Money Transfer, RTGS/NEFT feature
- Digital payment of tax through the digital banking service
- Interface with merchants for railway and airline reservations, hotel booking
- Configure profile settings
- Provided Digitalize Products & Services, Digitalize Organization and its Operation
- Follow up fundamental principle of digital banking-Trust, integrity and safety etc.

## 5. DIGITAL FINANCIAL PRODUCTS OF BANK:

- Automated Teller Machines (ATMs)
- Internet Banking
- Mobile Banking
- Phone Banking
- Tele banking
- Electronic Clearing Services
- Electronic Clearing Cards
- Smart Cards
- Electronic Fund Transfer etc.

## 6. SWOT Analysis :

SWOT stands for Strengths, Weaknesses, Opportunities and Threats. SWOT analysis is a technique used to analyze the strengths, weaknesses, opportunities and threats of businesses. Strengths and weaknesses refer to internal factors. In other words, they are about the characteristics of the organisation itself. Opportunities and threats are external forces that have an impact on the business.

### Strengths

- Time ,money, effort saver
- Convenience for both customer & bank
- 24x7 digital banking services
- Increase the efficiency of business
- Greater agility in digital banking service
- Increased accuracy
- Reduce the operating cost of bank
- Innovative diversified services of banks
- Easy access to bank customer
- New definition of services
- Lesser working hours for employees

### Weakness

- lack of co-operation and coordination
- killer of bank branches
- spread unemployment
- lack of digital transactions
- Issue of security and safety
- Poor technology infrastructure so Banks have a trouble in shifting their business digital
- When the server is down the whole process is handicapped
- Structural weaknesses

### Opportunities

- Enhance good digital banking habits
- Improvement in customer trust and integrating
- Initiatives in GDP Growth
- Make digital technology strategies
- Villages can access by digital banking system
- Cost – Efficient Solutions & better decision making
- Easy collection of feedback from bank customers
- Improved customer experience
- Increasing risk management expertise
- Changing socio-cultural & demographic factors

### Threats

- Lack knowledge of digital banking education
- Fear for digital banking in poor, back ward class and uneducated population
- Problem of hidden and ongoing computer hacking processes
- Political pressure and ineffective regulations
- Problem of economic crises & collapse
- Recession in economy

## 7. FINDINGS:

Digital banking is one of good innovative technology not only for banks and customers but also for the whole emerging economy. Through the digital banking, economy gets a rapid growth in GDP. Digital banking needs a strong anti hacking system for secured and qualitative service. The present focus of the bank is majorly on urban customer to increase the use of digital banking; they are neglect the customer of rural area in economy. Embracing a fully digital

strategy requires banks to fully modernize. Customers are hindered by lack of digital skills. Digital banking required a strong regulation to control and stops the crime happen in digital transaction of business.

## 8. RECOMMENDATION:

Bank should ensure that digital banking is safe and secure for financial transaction similarly to the traditional banking. Customer should educate with digital banking education. For this bank must conduct seminars, workshops and conferences for their customers. Banks need to select the options that best fit in their organisation and strategy. Government must make a powerful law for digital banking activity. Central bank must keep sharp watch on banks and controls them.

## 9. CONCLUSION:

Digital banking industry is one of the leading and largest industries in economy. It is covering innovation in financial services for customers. Digital banking is not only generating more customers but also it delivering top-notch services, as efficiency counts as well. With the help of Unified payments interface (UPI) and Aadhaar Enabled Payment System (AEPS), banking will become more 'open' in future. Digital banking transactions became quick as well as simple for the customer. Banks are begun to adopt additional measures to ensure data security at all stages using a combination of encryption, OTPs, biometric authentication and Aadhaar.

Adoption of Digital banking can play an important role of catalyst in achieving the goal of financial inclusion in an economically beneficial manner in emerging economy. Digital banking has a sustaining reach in domestic and world market with the confidence of customer. The shift of banks toward digital banking will give greater customer satisfaction and long-term profitability and business.

## 10. FUTURE OF DIGITAL BANKING:

Digital banking has a bright future in emerging economy. If instead of using their advantage of speed, agility and the ability to create intuitive user experience to enhance the digital experience these start-ups zeroed in on delivering entirely new financial products, we would have a much better grasp on the future possibilities of digital banking.

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