
Digital Banking – Moving Towards Digital Transformation with Specific Reference to an Initiative of SBI

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ABSTRACT

This paper aims to determine service quality improvement through digital banking. It highlights the steps taken by RBI and the government's move after demonetization. This paper also discusses convergence of technologies through the digital banking for a smooth transition towards a transparent economy. The main target of digitalisation is to push Indians to a less cash economy by financial rewiring with emphasis on the new way of life for the country from informal economy to formal economy. It identifies the initiatives and challenges during the initial period of digitalisations and also highlights the initiative of State Bank of India towards Digitalisation.

INTRODUCTION

The banking industry's efforts to shift to digital channels have been halting, at best — a business unit here, an upstart department there. But given the industry's financial pressures and global economic uncertainties, there is increased urgency — and opportunity — to adopt a holistic approach to going digital and integrating that strategy across the banking ecosystem. Embracing a fully digital strategy requires end-to-end modernization of a bank's often outdated infrastructure. Equally important, it requires a transition from an account-based view of banking customers to one that knows them as individuals and enhances the customer experience with relevant, convenient and personalized products and services.

To stay profitable and grow in the new digital economy, banks need to adopt a customer-centric business model, diversify online delivery of products and services channels, and begin making meaning from valuable trails of digital information.

Digital modernization gives traditional banks a second chance. A smart, enterprise-wide approach positions them to deepen customer satisfaction and loyalty, driving long-term relationships and profitability.

However, customer focus is often a stretch for the banking industry. When it comes to innovation, banks have been relatively slow movers as a result of regulatory and compliance challenges. It took PayPal to revolutionize online payments, and Square to extend personal payments so smartphone users could easily pay for goods and services. Such an approach also has the potential to meet consumers' expectations and bring banking back to the bank.

Objectives of the study:

1. To study the conceptual framework of digital banking.
2. To identify the RBI's initiatives on digital banking and financial rewiring made by the bankers
3. To study SBI initiatives in Digital Banking.
4. To give conclusions for the study.

Need for the study

Digital push is needed because India is one of the biggest market and it also has to compete at the global level. Further, there will be a strong correlation between business performance and smarter technologies.

The following elements form a clear model of success for banks:

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- Smart management of information is vital to digital banking. Banks need to marshal online data — the unique virtual identity for each individual that we call a Code Halo — to offer their customers personalized attention.
 - Banks need to act, but more important, they need to act strategically.
 - Although the ROI of digital banking is substantial, the costs are steep for not adopting digital banking. Costs include lost opportunity, customer attrition and stagnation in new-customer growth and product sales.
 - Embracing the holistic shift to digital and its streamlined, crosschannel approach requires banks to evaluate their options carefully and select the ones that best fit their strategy.
 - An enterprise roadmap is a key prerequisite for implementing a digital banking program. The roadmap balances key customer values (loyalty, convenience, relevance, interaction and mobility) against the bank's values (profitability, loyalty, operating efficiency, market expansion and risk mitigation).

GOVERNMENT OF INDIA INITIATIVES

The buzzword in India today is creating a cashless future. Sustained by the successful acceptance of demonetization, the Government of India (GoI) is now pushing digital transactions. The GoI has set a target of 25 billion digital transactions in the next financial year (FY18) through multiple facilities, including platforms such as Aadhar Pay, Unified Payment Interface (UPI), Immediate Payment Service (IMPS) and debit cards. GoI has also launched a mobile application (Bharat Interface for Money - BHIM) for facilitating e-payments through bank accounts. The traditional banking industry is thus facing the impact of digital technology. To remain contemporary and relevant, several commercial banks have already started aggressively innovating digital products and services for customers. Meanwhile, India today offers a unique architecture for digital banking which is not available in the US or China. This architecture includes an existing eKYC (know your client) system and the Aadhaar authentication framework, a signature and digilocker, the Unified Payments Interface - which allows for swift payment across banks - and finally, a consent architecture system, where information is made freely available to anyone else for use. India thus today stands at the point of a banking revolution through rapid penetration of digital banking. However, if one looks at the total payment transactions done in the months post demonetization, it is apparent that the big digital push has not happened. RBI has started reporting payment transaction statistics for all modes of payments since November'16 - the volume and value of various types of transactions.

Experts feel that increased smartphones penetration in India will drive digital banking in India. The key issue is that the technology interfaces and other advances are merely enablers and not drivers for shift to digital payment. India continues to be primarily a cash economy, suffers from intermittency in a digital infrastructure, and there is reluctance from a large section of the population to embrace digital payments. Even spending through cards has not seen increased traction although they have been around for over two decades.

GoI may consider providing a percentage cashback of value or a reduction in excise duty to buyers who buy over digital gateways. The financial incentive has to be lucrative enough for people not to pay in cash, while providing GoI detailed information on a person's spending to provide opportunity to bring under the tax purview and increase net revenues for the GoI. However, to ensure the same, all bank accounts, credit and debit cards, and other digital payment avenues available for an individual should be linked to his Aadhaar and PAN card. This, of course, brings in the scary possibility that the State can be monitoring your every move in the near future! Finally, there is no doubt that digital banking has brought in amazing customer experience. However, increased levels of cyber threats have the potential for causing significant disruptions in their services apart from risks related to sensitive customer information and internet frauds. It is therefore important to see how information technology systems and data security risks are monitored and managed. Regulations on digitalization in India are at a nascent stage and their evolution would also be important in charting the way forward for disruptive innovations in the Indian banking space.

Innovation is among the most powerful forces that continue to shape human society. The advances in the material standard of living enjoyed by most (though not all) human beings are largely due to innovation. One

of the principal arguments for free-market capitalism is that it is the economic system that encourages innovation most, because it allows innovators to capture a significant part of the remunerations of their work. Financial services industry is no different. The accelerating rate of technological change, combined with shifting customer preferences and an evolving regulatory landscape, have dramatic implications for the ways in which financial services are designed, delivered and disbursed today. Technology is overturning workflows and processes in the financial services industry. Tasks once handled with paper money, bulky computers, and human interaction are now being completed seamlessly entirely on digital interfaces. Almost every type of financial activity - from banking to payments to wealth management and more - is being re-imagined by some tech savvy banking incumbents as well as by startups. Meanwhile, the old guard is trying to solve a puzzle presented by the digital revolution: How can they benefit from the rise of digital, and how can they stay relevant? Banking today has become Easy & On-The-Go Gone are the days when banking was a chore, a frustrating activity which in many cases needed you to take a day-off to accomplish the task. Technology (Internet and Mobile phone) has virtually enabled banks to be where the customer is; enabling her to connect to the bank at a time and place convenient to her. Today we are closer to year 2030 than to year 2000. Imagine if we told you in year 2000 that you would be able to bank from your phone 24X7 and Not many would have believed us! But mobile banking is a reality today with more than 100 million transactions a month. By the year 2030 most of today's technology will be redundant and will be replaced by other more evolved modes. Mobile phones especially smart phones have created more opportunities to the common man than any other technology in the recent past. Today mobile banking and mobile wallets are the two fastest growing segments in the payments industry. Evolution of mobile banking on the back of mobile phone revolution in India has helped clients make faster and secure banking transaction on the move. For banks mobile banking is the most cost efficient mode of offering banking services. It is a win-win situation for both banks and clients.

Digital Evolution

Digital Banking may be viewed as adoption of various existing and emerging technologies by the banks, in concert with associated changes in internal operations as well as external relationships for providing superior customer services and experiences effectively and efficiently. Today we find ourselves in a digital wonderland, where the milkman accepts wallet payment without a fuss, a man buys a geometry set worth about Rs 100 for his daughter using a credit card and the vegetable vendor uses QR code based "Scan & Pay" utility. The new innovative digital technologies and futuristic thought processes have given birth to whole new businesses and social dimensions. Projects such as Make in India and Digital India are now the buzzwords to a bright and sustainable industrial and financial progress of our nation. As part of its impetus for DIGITAL TRANSFORMATION in India, Government also encourages technology adoption / upgradation while providing connectivity with high speed bandwidth to every nook and corner of the country. This has exposed the full potential of the hitherto untapped market in India.

SERVICE OFFERINGS BY BANKS IN THE NEW AGE OF DIGITAL PAYMENTS

Latest technology and service offerings in the new age Digital Payments space by the Banks, such as Unified Payments Infrastructure (UPI) including BHIM (Bharat Interface for Money) which is a Mobile App developed by National Payments Corporation of India (NPCI), Bharat Bill Payment System (BPSS), mobile money, e-wallets, payment aggregation etc. have created a revolution by themselves. Currently there are several technologies, infrastructure and processes available to enable banks to become super-efficient and dependable banks. Adaptation and implementation of highly capital intensive global technologies, infrastructure and processes are decisive in order to remain ahead of the curve. Transition and Interoperability related issues viz. from traditional banking to state of the art digital banking such as data integrity, authentication (including third party authentication) and trust factors in a digital banking environment are gaining importance. Digital banking provides mission critical solutions to bankers for their short term and long term business and technological requirements. Today, aspects such as enhanced customer satisfaction and value through unified customer experiences, faster output, infinite banking volumes, financial inclusion,

operational efficiencies, scale of economy etc. are being sought after, by leveraging digital banking and mobile technologies. Becoming a digital bank can improve efficiency and provide a better customer experience.

Digital Banking

With demonetization and the subsequent thrust from the government for cash less transactions, the share of digital and online transactions have been steadily gaining momentum. The relaxations given in Mobile Device Management (MDM) and the new tax regulations; all help in bringing in more customers for digital. Share of digital transactions will get further boost, when the internet become faster, cheaper and reliable, especially in rural and semi-urban centers. But at the same time, when it comes to what we mean by ‘Digital Banking’, there seems to be a little bit of misperception. Many industry insiders and their clients use the word digital banking in a much narrower sense. Many limit it to cash-less or paper-less transactions. This is not so. World over, ‘Digital Banking’ per se has a wider meaning, though digital transactions form a subset of it.

What exactly is Digital Banking? ChristelQuek, who was with Twitter answered the question like this, “It’s really about behavior and not technology or channels, that influences strategy, content, and drives advocacy. It’s not about being mobile first or digital first, but being people first.” Technology is only a means and not the end. Customer experience is the key. This is obvious from the trend seen in other industries. All the innovations are moving towards providing better and superior customer experience.

Key Requirements for a Digital Bank

Monetization and capturing value Compared to legacy banks, digital banks can generate value in numerous ways:

- **Digital Payments-** Digital payments form the core of monetization. They include mobile and online payments, both domestic and foreign, as well as mobile P2P interactions. Digital payments enable banks to boost fees and interest income and reach a broader set of customers with more diverse services; they are done more cost effectively than by incumbent banks, allowing market share gains through competitive pricing
- **Digital wallet-** Digital wallet is essential for digital commerce and ecosystems built on value-added services. In addition, it optimizes transaction costs for customers and funding costs for banking operations;
- **Digital Sales & Banking Products Artificial intelligence (AI)** assisted sales of banking products, such as deposits, loans, and mortgages are conducted through direct channels, including social media. That is in line with shifting consumer preferences and behavior trends in e-commerce, especially directed at Generation Y and techsavvy customers;
- **Multi channeling**An integrated and seamless multichannel approach to sales increases the bank’s share of customers’ wallet, boosts customer loyalty, thereby making a significant difference in customer adoption rates;
- **Digital Financial Planner & Roboadvisory** AI-based digital financial planner manages monthly income, recurring payments, savings and investments, increasing interaction between the digital bank and customers. The bank acts as a trusted shepherd defining customer life-cycle financial needs. Logical continuation of the circle of trust between the digital bank and customers, where customers rely on the Roboadvisory services to optimize investment portfolios based on individual goals and preferences, regularly adjust them and record incremental results and properly allocate resources for each phase of the customer’s voyage towards all things digital;
- **Smart Big Data Advanced analytics** allows the digital bank to transform its data into more personalized client service aimed at data monetization;
- **SME Upside AI-** and big-data based credit models enabling risk-managed provisioning of credit access to SMEs, banking the 45 million underbanked SMEs globally. By 2018, banks in Scandinavia, the United

Kingdom, and Western Europe are forecast to have half or more of new inflow revenue coming from digital related activities in most products, such as savings and term deposits.

Digital Banking in India

Under Digital India programme we are experiencing a New India on the rise like never before. The new innovative leadership and futuristic thought processes have given birth to whole new business and social dimensions. Ambitious projects such as Digital India, execution of payments bank, Make in India, Aadhaar enabled use cases, wallet disruptions & RBI initiatives along with **National Payments Corporation of India (NPCI)** e.g. Unified Payments Interface (UPI), **Bharat Bill Payment System (BBPS)**, **Aadhaar Enabled Payment System (AEPS)**, India QR are now the keywords to a bright and sustainable financial progress of our nation.

RESERVE BANK OF INDIA AND ITS VISION

The Reserve Bank of India's "Payment and Settlement Systems in India: Vision-2018" aims at building best of class payment and settlement systems for a 'less-cash' India. The broad contours of Vision-2018 revolve around 5 Cs - coverage, convenience, confidence, convergence and cost. To achieve these, focus on four strategic initiatives such as responsive regulation, robust infrastructure, effective supervision and customer centricity is important. RBI has periodically put forth its vision for payment & settlement systems so that the banks migrate to electronic payments and ensure that the payment systems in India are safe, secure, authorised, efficient and accessible. Digital banking provides mission critical solutions to bankers for their short term and long term business and technological requirements.

DRIVING FACTORS IN INDIA

Following are three driving factors in India.

1. **Adoption:** Post demonetisation e-commerce & m-commerce success is largely attributed to the phenomenal growth of various digital payment technologies such as card payments, electronic fund transfers, payment gateways, e-payments, smart cards, mobile money wallets etc. Pivotal to embracing such new age payment systems are the people, technologies, and processes that have together created vast, robust and dependable networks and seamless systems that guarantee Herculean transactional volumes at breakneck speed, and with dependable security and counter-checks built around them.
2. **Agility:** Today, aspects such as enhanced customer satisfaction and value through unified customer experiences, fastest possible throughput, infinite banking volumes, financial inclusion, operational efficiencies, scale of economy etc. are being sought after by leveraging digital banking and mobile technologies.
3. **Arrival of Players:** Traditional banks should be worried about their very supporters being coshared by a string of new age players e.g. Payments Bank, Fintech culture around. And the end-customer is the single largest beneficiary - with a bouquet of services and service providers to choose from and along with hugely competitive pricing models.

Banks Initiative towards digital push

SBI AND INITIATIVE

SBI urges Reserve Bank to hike monthly limit on mobile wallet spends and it waives MDR (Merchant Discount Rate) on debit card transactions for all merchants having annual turnover of upto RS.20 lakh for a period of one year up to Dec 31, 2017 and the bank believes that this gesture would go a long way in changing the perception towards the cost of using digital channels and supplement the government's cashless India drive.

GOVERNMENT INITIATED DIGITAL PAYMENT SYSTEMS

The government has identified five digital payment systems with the aim to make them accessible and user friendly and encouraging by way of cash awards for consumers and merchants to bring more and more people on the digital platform and thus making more transparent.

It includes

- (1) Unified Payments Interface (UPI)
- (2) digital or e-wallets,
- (3) prepaid debit card or credit card that can be used at ATMs and point of sales machines (POS)
- (4) Aadhaar enabled payment systems (AEPS) and
- (5) Unstructured Supplementary Service Data (USSD).

VARIOUS BANKS DIGITAL INITIATIVES

The adoption of digital payment ecosystem and use of a digital platform for repayments is clearly seeing a shift in rural areas and enhancing digital capabilities.

Cosmos bank have started on biometric enabled systems and have already started putting ATMs which are bio-metric enabled. UPI would also be another priority for the bank.

Mahindra & Mahindra financial services is encouraging all their stake holders to go increasingly digital as it can lead to better efficiencies and lead to a win-win situation for everyone and encouraging usage of eKYC and aadhaar and are educating the customers that usage of digital mediums can lead to faster approval of loans and the quality of data can lead to better decision making.

In five temples of Kanyakumari district in southern Tamilnadu **HDFC bank** have introduced digital wallets and POS (point of sales terminals), card swiping machines at counters. Temples in Trivandrum are embracing digital mode in order to help devotees to make donations without any hassle. IDFC has roped in 800 merchants in 16 states to adopt the unique payment facility. It aspires to expand its foot print into 25 states from the current 16 and would rely largely on the bank in a box model to achieve the Aadhaar linked solution for cashless payments and retail banking expansion. Finopaytech provides a wide range of financial and large scale enrolment services. Recently the company launched the mobile wallet FINO BPAY, that will facilitate cashless payments at over 12000 Bharat petroleum corporation limited outlets Private sector lender **ICICI bank** on Nov 28, 2016 announced to transform 100 villages in as many days to enable villagers go in cash less banking and payments transactions. ICICI banks ambitions project is inspired on at Akodara in Sabarkamtha district Gujarat in 2015.

IDFC (Infrastructure Development Finance Company)bank right from the inception has been to make everything cashless. Currently there are 1200 micro ATMs deployed and it will be deploying additional 3000 micro ATMs in the next three months.

Axis Bank has set up micro ATMs to provide easy access of cash withdrawals and other basic banking services to employees of the airport, CISF, airline employees, travellers and patients by using Aadhaar card no. and finger print as an identity proof in order to leverage the contact less technology at POS terminals for faster transactions (Kirana stores, vegetable and milk vendors, auto rickshaws and to accept payment digitally through QR code.

INITIATIVE OF STATE BANK OF INDIA – A CASE STUDY

The State Bank of India, India's largest bank, is set to launch India's first comprehensive digital service platform YONO (You Only Need One). This will be an integrated lifestyle and banking digital platform from SBI, and will be launched by Union Minister for Finance and Corporate Affairs ArunJaitley on 24th November 2017 in Delhi. Besides an array of banking and financial services, YONO will also allow

customers to meet their lifestyle needs across 14 categories, including booking & renting cabs, entertainment, dining experience, travel & stay, medical needs and so on.

The bank has partnered with over 60 e-commerce players to provide customized offers and discounts to customers. Some of the key e-commerce partners include Amazon, Uber, Ola, Myntra, Jabong, Shoppers Stop, Cox & Kings, Thomas Cook, Yatra, Airbnb, Swiggy and Byjus, among others.

The bank said that YONO is a path breaking comprehensive digital product from SBI using the world's latest digital technologies such as Artificial Intelligence, Predictive Analytics and Machine Learning, and can be accessed through a mobile application and web portal. With YONO, customers can:

- ❖ open an SBI bank account digitally in less than five minutes
- ❖ transfer funds in just four clicks
- ❖ avail of pre-approved personal loan sans any paperwork
- ❖ get overdraft facility against fixed deposit
- ❖ have one view of their banking and financial portfolio of SBI Group companies
- ❖ benefit from intelligent spend analyser
- ❖ utilise conversational banking guide through 'Chat bot'

YONO will be the first digital banking platform to offer customized products and offers from over 60 e-commerce players by leveraging analytics. This will also be the first to offer online purchase and view of insurance policies within the portal, without redirecting customer to respective service provider, and to seamlessly access and purchase of investment products. YONO can be accessed through mobile phones, both Android and iOS, and on the web through a browser, and allows a seamless omni-channel customer experience.

Talking about it, Rajnish Kumar, Chairman, SBI, said, "India is going digital at an unprecedented pace and we at SBI have been taking significant strides in the digital banking space. With the launch of YONO, customers will be able to seamlessly access lifestyle offerings and financial services with a single user ID and password. The portal has been designed to offer maximum customer convenience where each journey has been designed with minimum possible clicks with easy to understand descriptions. We believe this app will help us increase engagement with our customers and enhance their banking experience."

SBI to launch branchless banking called SBI Digi Bank

The country's largest lender SBI will take the lead among state-run lenders to launch branch less banking. The latest launch from the lender - SBI Digi Bank will have a financial superstore, a market place and end to end digitisation for all products and services.

The Digi Bank will have a financial superstore, a market place and end-to-end digitisation for products and services.

SBI will soon rub shoulders with the likes of Europe's M-Bank and Canada's Tangerine Bank as it prepares to launch its own version of digital-only bank in the next 3-6 months. While SBI did not respond to a mail seeking an official response, a senior official confirmed the development on the condition of anonymity

"We are working on a digital-only bank where no individual will be visible to the customer and all transactions will be done with the help of apps, internet banking and mobile banking," said the banker.

"It will be an omni-channel, omni-device digital bank which will be available to both new and existing customers."

The digital-only bank, which will be device-agnostic, will use the Aadhaar infrastructure for not only onboard customers but also provide them services onli ..

CONCLUSION AND SUGGESTIONS

In terms of the information technology Act 2000, reasonable security practices need to strengthen and it is a continuous exercise. Specifically in the context of growing digital payments cyber Police personnel has to be

trained fully. TRAI (Telephone Regulatory Authority of India) and DOT (Dept. of Telecommunications) need to enforce strong SOP (Standard Operation Procedures) for issue of duplicate SIM card. Special cyber fraud codes are needed. Civil court judges to be trained in handling cyber fraud, Convenience vs security and cyber fraud issues. ATM cctv camera to be functional in all ATMs 24X7. Forensic report has to be collected shortly. For many years the cyber appellate tribunal is not functioning due to vacancy of chairman. While security and safety is paramount, convenience with safety need to be balanced. The marketers should keep abreast of proposed back stage changes, an explanation may be warranted to customers. A better way is to search for service process redesigned opportunities that lead to drastic improvements in productivity and at the same time increase service quality. Financial literacy about the safety aspects: Rural people, illiterate people and elderly people can fall prey to fraudsters more easily. A big awareness drive is needed. In the long run it will accelerate the transition of the unbanked towards a cashless economy. With the Aadhaar number, Jan Dhanyojana, unified payment interface and IMPS (immediate payment service) India has the digital infrastructure to leapfrog and accelerate the transition.

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