



DIGITALIZATION IN INDIAN BANKING SECTOR: POSITIVE AND NEGATIVE ASPECT OF DIGITAL BANKING

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Abstract

Digitalization is the process of turning a physical firm to a digital one in order to increase chances for value creation and income generation. Because of this, the banking industry has placed a high priority on implementing digitization. By doing so, banks may improve their customer services. But several academics have noted that the usage of artificial intelligence in the banking industry has actually increased the unemployment rate. The goal of the current study is to discover this truth utilizing scheduled commercial banking data from India. In the case of Indian scheduled commercial banks, the contribution of staff to operational profitability of banks is estimated. Due to the increased use of digitalization, it is debated which employee type is more at risk than other employee types in the banking industry, taking into account officers, clerks, and sub-staffs of the banking sector. According to the analysis, even though officers and clerks both contribute positively to the operational profitability of banks today, and where clerks' contribution is greater than officers', only the number of officers is rising while the number of clerks is falling as a result of profit-making institutions' banks' realisation that, with fewer clerks due to use of digitalization, clerks' contribution to banks' profitability can increase. Thus, banks do not require a large number of clerks. It is also evident that fewer substaff members are employed today since they contribute negatively to the operational profitability of banks, making them obsolete as a result of the use of digitalization. If their numbers are not reduced, the bank will be forced to incur unproductive costs. The employment of workers in the banking business is thus impacted by the usage of digitalization in the Indian banking sector.

Keywords: Digitalization, employment, impact, and the banking sector in India.

Introduction

The term "digital banking" describes the process of converting conventional banking practices to digital ones to streamline banking transactions. To meet the needs of its digitalized consumers, digitalized banking, in contrast to traditional banking, attempts to create flexible computerized goods and services. Digital banking has completely changed how money is transferred, revolutionizing the banking industry. It has also made it easier for buyers to assist each other more quickly. The focus of the service sector nowadays is on deploying cutting-edge technical solutions to automate transactions. A crucial factor in a nation's economy developing is in particular banks. E-banking, often known as Internet banking, is one of the technical advancements that have changed the financial sector.

To eliminate the need for customers to visit a branch, digital banking entails digitizing all aspects of banking operations and replacing the bank's physical location with an ongoing online presence. Banking institutions can now use data analytic and artificial intelligence (AI) to improve business choices and provide individualized services to clients thanks to digitization. Banks can customize their services to match the unique demands of each customer by gathering and analyzing customer data. Digitization reduces human error, which boosts customer loyalty. Banking is accessible online around-the-clock. It has also become easier to manage large sums of money. Consumers have benefited from digitalization as well because it has made cashless transactions possible. When private



and international banks first joined the Indian market in 1991–1992, to digitalize the economy and enhance the services offered by general public sector banks to customers, the process of computerization accelerated alongside economic change in India. In India, internet banking and e-banking were first used between 1996 and 1998. The government of India then passed the Information Technology Act, 2000 to give electronic transactions and other forms of electronic commerce legal status. Since the introduction of ATMs, the banking industry has become increasingly digital in India. The banking industry frequently sees new advances like Telebanking, Electronic Compensation Services, Electronic Funds Transfer systems, MICR, RTGS (Real-Time Gross Settlement), Point of Sale Terminals, etc. E-banking has significantly reduced costs and assisted in generating income in a variety of ways. The RBI and National Payment Corporation of India had taken several actions and initiatives, such as the introduction of the United Payments Interface (UPI) and Bharat Interface for Money, to strengthen the Payment and Settlement Systems in banks. These programs and platforms have made it so that clients may now conduct transactions anytime, anyplace, and without having to store or carry currency with them.

The Status of India in the Digital World at the Moment

Today's banks strive to give their consumers a quick, precise, and high-quality banking service. Digitization is currently the main priority for all Indian banks. Digital transactions are actively being encouraged by the Indian government. The two most important steps for innovation in the Indian payment systems industry were taken with the introduction of the United Payments Interface (UPI) and the Bharat Interface for Money (BHIM) by the National Payments Corporation of India (NPCI). With the use of the UPI Smartphone interface, users can instantly transfer money between accounts at virtual addresses that are supported by numerous banks.

There are 25,29,141 point of sale (POS) devices and 2,22,475 automated teller machines (ATMs), according to the RBI Report for 2016–17. Electronic payment systems such as NEFT (National Electronic Fund Transfer), ECS (Electronic Clearing Service), RTGS (Real Time Gross Settlement), Cheque Truncation System, Mobile Banking Industry, Debit cards, Credit Cards, and Prepaid cards have all been widely adopted by Indian banks. All of these are turning points in the banking industry's digital revolution. National Electronic Funds Transfer (NEFT) is the most ordinarily used electronic payment method for transferring money from any bank branch to a different bank in India. It operates in half-hourly batches, at the present, there are 23 settlements.

Litratue Review

Brahmaiah et al (2008) Examine the factors affecting the profitability of Indian commercial banks to discover that it is influenced by both internal and external factors, with the strength of equity capital, operational efficiency, and the ratio of banking sector deposits to the gross domestic product (GDP) having a notably positive effect. Credit expansion, cost of funds, the ratio of non-performing assets (NPAs), and consumer price index (CPI) inflation have a significantly negative effect on the profitability of banks.

Chaturvedi et al (2012) Analyzed that, the ability of bank employees to provide timely and polite service to the clients makes it important to evaluate the profitability of banks in terms of their employee productivity. assessing the financial standing of Punjab National Bank and Central Bank of India in relation to their personnel According to Chaturvedi et al. (2012), the chosen banks made attempts to improve their viability over the course of the ten-year study period from 2002 to 2011.



Kumar (2016) estimated the employee productivity in public sector commercial banks in India and Nepal based on two key metrics: "Business per Employee" and "Profit per Employee." In order to uncover any hidden information, statistical tools like the average, compound annual growth rate, Anova, co-relation, and coefficient of determination were applied to tabulated data. The results show that employees are crucial to the banking industry's ability to achieve high productivity.

(Chakrabarty, 2013) According to a survey by the Reserve Bank of India, there were about 1,76,547 cases of financial fraud reported, totaling Rs. 31401.01 crores, of which 1,69,190 cases were reported in commercial banks and involved Rs. 29910.12 crores. 29653 incidents were reported by public sector banks, whereas 93331 cases were reported by private sector banks and 46206 cases were reported by foreign banks. Technology-related problems including credit card fraud, internet banking fraud, and other e-banking frauds contributed to 65% of fraud cases.

Raghavan and Parthiban,(2014) Numerous frauds are being committed in the e-banking industry, including those involving ATMs, credit cards, phishing attacks, identity theft, data theft, hacking, cracking, malware assaults, and many more. As a result, the nation as a whole is suffering significant financial losses.

Jagtap , (2014) According to a poll of informed participants, 38% of customers still do not utilise online banking due to its lack of security, vulnerability to fraud, and lack of operational instructions. It has been determined that despite being taught, customers are hesitant to use online banking since they believe it to be risky.

Chavda, (2014) One of the factors contributing to the rise in e-banking frauds is the lack of computer literacy among Indians, which prevents people from using the services themselves or from using them without assistance, which exposes the customer's confidential information to fraudsters who may use it for their own gain.

Komal and Rani, (2012) The main e-banking channels are the ATM, credit cards, internet, and mobile banking. According to 29% of respondents, mobile banking is unreliable, and 24% believe using credit cards is risky.

Siddique and Rehman, (2011) Computer is used as a tool for fraud since it has a large amount of data stored, including confidential data and information, and it is simple to access to steal data using covertly implanted key loggers and logic bombs. If there is no adequate backup, the data gathered is exploited and destroyed after usage, which can also lead to the loss of evidence and proof of facts. Mobile devices are also employed in fraud schemes.

Sharma et al, (2011) According to 64.83% of respondents, downloading certain applications gives customers access to their confidential data stored on their mobile devices, such as their messages, photo gallery, and various files and folders. As a result, there is a risk of data theft that could lead to the customers becoming victims of e-banking frauds.

Objectives

) To know the impact of digitalization on employment in the Indian Banking Sector.



) To identify the quality gap for online banking.

Concept of quality gape

In general, service businesses strive to meet or surpass their client's expectations to achieve customer satisfaction. Customers and service organizations have four key conceptual quality gaps, according to Parasuraman et al. (1985): (1) the discrepancy between customer expectations and management's perceptions of those expectations; (2) the discrepancy between management's conceptions of consumer expectations and the service quality requirements that the companies deliver from the customers' perspective; (3): the discrepancy between the agreed-upon level of service quality and the actual level of service provided to the client; and (4): the discrepancy between the real level of service provided and the perspective of the customer. Based in part on a survey of the literature and part on empirical analysis, these four quality gaps have prompted us to identify five service quality gaps for online banking.

Technology Gap There is a discrepancy between what clients anticipate the bank website to be able to do and how it works and is usable. **Service Reliability Gap** Difference between customers' expectations of bank reliability and bank website fulfillment. **Technical Knowledge Gap** Difference between customers' level of technical knowledge and the bank website's level of design complexity. **Security Assurance Gap** There is a discrepancy between the level of protection promised to customers and the privacy and security provided by the bank website.

Research Methodology:

The study is purely descriptive in nature. The problem analysis makes use of secondary data. Sources for the secondary data come from a variety of places, including specialized Investigation team reports, news articles, Reserve Bank of India (RBI) websites, and famous researchers' research papers are all used.

3. Significance Of The Study

The usage of digitalization in the banking sector and the contributions of bank personnel are identified to be the two key drivers of banks' profitability. However, jobs of employees are now in danger due to the banking sector's ongoing reliance on digitalization.

In the findings of numerous research papers, it is not adequately demonstrated which type of employee is more crucial to banks' operational profitability and which type of employee is more at risk than other types in the banking sector as a result of extensive use of digitalization. It is also not demonstrated which type of scheduled commercial employees are. **Impact of Digitalization on Employment of Personnel in Banking Sector: Indian Case Study**, The banks are the most at risk, according to <http://www.iaeme.com/IJM/index.asp> 985 editor@iaeme.com. The current study uses data from Indian scheduled commercial banking to discover these facts.

Findings

From the analysis of the second objective, it is discovered that in scheduled commercial banks today, the number of both clerks and sub-staffs is decreasing, and the number of sub staffs is lowest when compared to the number of officers and clerks, as well as **Impact of Digitalization on Employment of Personnel In Banking Sector: A Case Study Of India**. The drop in the number of clerks and other



support workers is greatest for private sector banks among all categories of scheduled commercial banks, according to <http://www.iaeme.com/IJM/index.asp> 989 editor@iaeme.com.

Threatened Jobs

Digitalization has made it possible to conduct banking operations including money transfers, account opening, bill payment, account statement, ATM card, debit card, credit card, check book, loan information, etc. without going to a bank branch. The impact of digitization on the banking industry has the potential to diminish human intervention and eliminate the majority of jobs.

Due to the fact that routine banking tasks like updating passbooks, making cash deposits, checking client information, and uploading salaries can be completed without relying on branch staff, this makes the bank's personnel fearful for their future employment. The banking industry is moving towards cutting-edge technology advancements, and the increased usage of digitalization has put between 20–25% of banking sector jobs at risk. Data input, data verification, tellers, cashiers, and underwriters are among the key occupations affected by this, as they are routine, need less skill, and are in danger of disappearing.

Conclusion

According to the analysis, officers and clerks both contribute positively to the operational profitability of banks today, and if the contribution of clerks is greater than that of officers, However, it is observed that today only the number of officers is growing while the number of clerks is declining. This is because profit-making institutions like banks have realised that by using digitization, a smaller workforce of clerks can contribute more to profitability. Thus, banks do not require a large number of clerks. As a result of their negative impact on banks' operational profitability, or because banks no longer need them as a result of using technology, the number of substaff is also on the decline today. If this trend continues, banks will incur unproductive costs. The employment of workers in the banking sector is thus impacted by the usage of digitalization in India. Although there will be new types of jobs in the event of scheduled commercial banks, even then the banking industry will not need as much staff and conventional types of jobs would disappear, which is not a good indication.

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