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RESEARCH ARTICLE

DIGITAL INFRASTRUCTURE PROLIFERATION IN BANKING SYSTEM

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Abstract

Our diversity, our demographic potential, fast growing market size, and digital infrastructure, have the potential to make India a global hub of research and implementation”, PM Narendra Modi. This research paper discusses about how the digital infrastructure has spurt the profits and volumes of banking system in India. The digital infrastructure has the potential to provide stability in the economy by reaching every remote part of the country. It helps in circular flow of money, resulting in increased national income. Finally, the article also mentions how the Digital India, Jan dhan yojana, KYC, India Stack and UPI has been used for improving banking sector and digital infrastructure.

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Introduction:-

Recently digital infrastructure development is quite popular in every country worldwide. The digital world is helping people work from home in this pandemic. Let's break the term digital infrastructure to understand the core in terms of a layman. Digital means storing the data in binary language on computers, laptops, mobiles or other instruments. On the other hand, infrastructure includes the basic facilities required for the smooth functioning of a country, for example transports, communication, power supply, buildings, etc.

All together digital infrastructure refers to those functions or tools which can be used over a computer or a machine. It has become the foundational need of every modern country. Some examples include, internet, mobile communication, satellites, data centres, cloud computing, etc. In 2015, the government of India launched a campaign “Digital India” to make people digitally literate and to improve ourselves in the field of technology. This campaign also aims to connect rural India with high-internet networks.

Digital Infrastructure in Banking:

Just as an engineer uses bricks to build a strong home, banks are using digital infrastructure to build their finances strong. According to the research paper, “The design of digital financial infrastructure: lessons from India”, Indians were not having bank accounts. Before 2008 the ratio was 1 account on 25 people. After Pradhan Mantri Jan Dhan Yojana (PMJDY) initiative launched in 2014 and with the use of Aadhaar, almost 380 million bank accounts had been opened by December 2019. In recent days there are multiple ways in which banks have used digital infrastructure to provide multiple platforms for easy interface.

Earlier, the banking facilities were provided at the branch offices. But now the scenario has changed through digital infrastructure. The RBI has played a major role by providing UPI app. UPI is the acronym for Unified payments interface, was launched by the RBI governor Dr Raghuram G Rajan on 11th April 2016. This mobile application is a

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system which has around 21 banks functioning and providing basic facilities to the consumers with just a touch. This application also enables users to schedule payments for a future date as per requirements.

Similarly, the KYC feature has added to the safety and tracking of a customer's background. KYC refers to Know Your Customers which helps the banks in checking the suitability or the risk involved in making a business relationship with their customers. It minimizes the risk of fraud by eliminating suspicious elements earlier. It is useful specially in knowing the history of stockbrokers, chartered accountants and other consistent users of financial activities. This digital infrastructure provides a check on all the activities so that malpractices can be reduced.

However, the digital infrastructure has removed the credit impediment and helped in the flow of money in the economy. As the commercial transactions used to be on credit terms or through cheques and demand drafts. The digital infrastructure has made it easier to pay immediately through the app within seconds. The transactions are based on real time gross settlement system (RTGS) and national electronic funds transfer (NEFT) where one does not have to wait in the queues of banks or even ATMs.

Objectives:-

1. To ascertain the benefits of digital infrastructure development in banking system.
2. To understand the need of digital infrastructure development in present condition.
3. To know the scope of digital infrastructure development in India.

Research Methodology:-

The method used in this research is qualitative in nature. The data used in this research is secondary data. It has been collected through various websites, journals and newspaper articles related to digital infrastructure and digital India.

Review of Literature:-

Harun R Khan, in his report on “Digital India: Emerging Challenges & Opportunities for the Banking Sector” has explained how digital revolution is taking place. The research has shown how e-payments have increased in the recent times. NEFT volumes and values grew by 67.71% and 50.87%, respectively. Debit card usage grew by 28.35% against the growth rate of credit card at 25.24 %. There is more need to make people aware about the digital use of banking apps. Optimal enhancement of cloud computing and mobile capabilities might result in yielding higher profits at low costs. Mining of Big Data can open up new revenue verticals for the banks and help better risk measurement along with effective identification of sales or cost-saving opportunities.

K Srinivasa Rao, in his article, talks about the hike in the sales of banks after adopting electronic delivery channels. According to his report sales have increased by 12,11,890 to 45,89,727 and number of debit cards increased from 604 million to 835 million in September 2015 to September 2019. It has resulted in proliferation of digital infrastructure development in banking industry. Certain relaxations have been given to cooperative banks and payments bank to become Small finance Banks (SFB) in order to benefit the lower sections of the society. Merchant discount rates have been waived in order to promote digital development. There is a need to create awareness amongst the people in village area to unleash its full potential. Lack of knowledge and digital education is the hurdle which is not allowing the development to the fullest.

Arvind Gupta talks about India Stack. It is a mixture of APIs that permits governments, corporations, start-ups and developers to utilise a unique Digital Infrastructure to clear up India's difficult issues closer to paperless and cashless service providers. The government of India has smartly incorporated the erstwhile excluded population of rural India. Allowing them to take the benefits of credit and other banking services. India's own RuPay card built through India Stack has already doing wonders across the nation. The same digital technology is now being cross-utilised for the world's largest health insurance scheme Ayushman Bharat Scheme that aims to provide healthcare coverage to 500 million people. It has been possible only because of India's strong digital base.

Based on the above reviews it can be said that the Government of India has started providing base for a modern economy based on digital infrastructure. The major removal of impediment of digital infrastructures particularly in banking sectors done is by making the Jan Dhan Yojana. It has allowed the penetration of banking system in the remote areas of the country. The results have clear significance towards increase of banking services in villages. It is

now required that effective awareness programs and optimal utilisation of resources should be done in order to educate people towards a paperless and digital infrastructure.

Findings and Conclusion:-

1. Access, inclusion, connectivity, ease of living, opportunity and accountability are some basics of digital infrastructure.
2. Proliferation of mobile banking and internet banking.
3. UPI's enhanced real time transactions and scheduled transactions for faster usage.
4. Reduction in paper-based accounting.
5. Value creation resulting in higher profits of the banks.
6. Affordable technology for majority of customers making flow of money in the economy easier.

Digital infrastructure in banking system has helped in the removal of credit impediment from the society. As it has eased the methods of payments resulting in the ease of payment through NEFT and RTGS system. It has reached to 90% of the population of the society. Making the rural population aware about banking services and making them use of online transactions for a continuous flow of money in the economy.

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