“RECENT TRENDS IN BANKING SECTOR WITH RESPECT TO DIGITAL PAYMENTS”

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ABSTRACT
In last few years we have seen tsunami kind of disruption in payments services, which led to e-Commerce, wallet services, digital payments, and remittances to just explode in India. If we review for just last 2 years of work and throw the impact of the current financial year it gives us very clear projected picture. 2015 year can be written down as year of awareness & noticing payment methods other than cash payments. Year 2016 was the year of financial services with greater technology with too much of Innovations there after trials and adoptions of cashless payments with the impact of Demonetization. In year 2017 we observed that the impact of digital payments by consumers are gearing-up for new technology, making mind ready to pay little extra for their convenience and winning the comfort from their cozy rooms. In Indian scenario consumers might face up to the new and different challenges and have the right solution for the new changes in the payment mechanism. Before we began our journey and ask customers to use any financial system/platform which offer users interfaces like Mobile App, Online interface or Mobile phone interface; there is serious need to understand what security has been built in it, what kind of tools, systems, software and techniques are used to ensure protection. As a user before attempting to use a cashless payment instrument a basic level of understanding is needed to understand & build trust on the system.

KEY WORDS: Digitalisation, Cashless Payments, Demonitisation, Online Security, New Apps.
INTRODUCTION

In India due to November 8th, 2016 drastic revolutionary decision affected the common citizen of the country in the form of demonetization, which increased the consumers to adopt the challenges in the upcoming cashless payments that made the consumers to pay for their convenience and pay for fast delivery and also payment of all the transaction through online to all the global players. Even the financial institutions like Banks have seen the greatest disruption so far in money transfers sending money from account to account, either domestically or internationally.

Technology is changing at a rapid pace and with it, the consumer experience of buying goods and services. In the coming months, digital payments come to life in India as common citizen board a bus in Mangalore city or a metro in Bangalore city, which would accept cashless payments as India’s first smart cards. The card offers integrated services to commuters by offering them cashless bus and train travel. Additionally, it can be used in 1.8 million outlets across the country. New markets, products and services are emerging as quickly as it is difficult for consumers and regulators to keep pace of the drastic changes in the scenario. Consumers often have to figure out new technologies for themselves. Regulators may step in to address issues but this is often after significant consumer adoption and the market may have already moved on.

Writing from the post of La Reunion. Payments look really easy, which is why innovation is so hard. While the cash payments wave continues unaffected. Mobile/Internet Payments on Commerce Platform is bringing new innovations to the payment industry and changing the way merchants do business. The change in this segment is so huge which can’t be absorbed alone by one type of business entity.

Payments gateway and solution service companies experimenting with customized solutions rather than giving one-size-fits-all (Like a master one master key for all holes) product solutions to merchants. Nearly two-thirds of U.S. cardholders are familiar with at least one form of mobile payment, marking an awareness trend that continues to rise and could ultimately translate to higher
adoption and usage rates. But does awareness translates to usage? It might — 74% of consumers who have not used any of the major mobile payment apps say they are interested in doing so in the future, according to new research. Mobile wallets have had a difficult time attracting a wide user base. Even at the end of 2016, most consumers stick to older payment methods. According to some research data from Google shows in USA, PayPal in-store was used by 18% of respondents, followed by Walmart Pay at 14%. Apple Pay, at 8%, was slightly higher than Android Pay and Samsung Pay.

INNOVATIVE SERVICES IN DIGITAL PAYMENTS IN BANKING SECTOR

The Indian banking industry is not lagging behind; it has started providing services electronically over the internet. These services rendered over electronic media include:

1. **Tele banking**

Bank on phone, provides easy access for customers to have large businesses through telephones. Data are exchanged over the phone regarding any queries, to issue instructions on balance transfer, statement of account, cheque- book, stop payments, new schemes, interest rates etc. at any convenient time and place. Tele banking has gone a long way in providing maximum customer satisfaction within the limited infrastructure.

2. **Automatic Teller Machines (ATM)**

Automatic Teller Machine is the most popular devise in India, which enables the customers to withdraw their money 24 hours a day 7 days a week. It is a device that allows customer who has an ATM card to perform routine banking transactions without interacting with a human teller. In addition to cash withdrawal, ATMs can be used for payment of utility bills, funds transfer between accounts, deposit of cheques and cash into accounts, balance enquiry etc.

3. **Credit cards**

These plastic cards enable customers to spend whenever he/she wants within the prescribed limits and pay later. Debit card is a prepaid card with stored value, whereas credit card is post-paid with fixed limits. It is seen that spending is higher through debit card than with credit card.
4. **Electronic Funds Transfer (EFT)**

Electronic Funds Transfer (EFT) is a system whereby anyone who wants to make payment to another person/company etc. can approach his bank and make cash payment or give instructions/authorization to transfer funds directly from his own account to the bank account of the receiver/beneficiary. Complete details such as the receiver's name, bank account number, account type (savings or current account), bank name, city, branch name etc. should be furnished to the bank at the time of requesting for such transfers so that the amount reaches the beneficiaries' account correctly and faster. RBI is the service provider of EFT.

5. **SPNS (Shared payment network system)**

SPNS installed by the IBA in the city of Mumbai, enables electronic banking service like cash transactions, extended hours of banking, utility payments, cheques, point of sale facilities by the SPNS can go to any ATM linked to SPNS.

6. **Electronic Clearing Services (ECS)**

Electronic Clearing Service is a retail payment system that can be used to make bulk payments/receipts of a similar nature especially where each individual payment is of a repetitive nature and of relatively smaller amount. This facility is meant for companies and government departments to make/receive large volumes of payments rather than for funds transfers. Electronic clearing of funds from one centre to another for handling bulk transactions like salary, interest, dividend, commission etc., have dispensed the cheques.

7. **Point of Sale (POS) Terminal**

Point of Sale Terminal is a computer terminal that is linked online to the computerized customer information files in a bank and magnetically encoded plastic transaction card that identifies the customer to the computer. During a transaction, the customer's account is debited and the retailer's account is credited by the computer for the amount of purchase. Payment card at a retail location for electronic transfer of fund is called POS.

8. **D-Mat Accounts**

Transacting shares business through electronic media is called D-Mat. Investor opens an account called Demat Accounts. They get shares in electronic form. Then they send the actual shares to the investor. Investor pays for the opening, maintenance and collection of shares. This has reduced the paper work, bad deliveries, loss of shares and less transaction cost. Depository participant sometimes make illegal money at the cost of investors.
9. **Digital wallets**

They store value in digital form and allow an individual to purchase an item online or send funds to friends or family. Depending on the type of digital wallet used, the information stored might include debit, credit, prepaid or loyalty card data as well as personal information of the card holder such as driver’s license, health care, loyalty card(s) and other ID documents.

10. **Mobile Wallets**

Some wallets, such as Android Pay, Apple Pay, and Samsung Pay, are specific to the particular combination of software and hardware on certain devices and all seek to replace the use of traditional credit/debit cards with mobile phones.

11. **Digital currency wallets**

They work in a different manner than traditional digital wallets. They typically store private keys representing ownership of a digital currency, such as Bitcoin. Once a user wants to transfer value to another user thereby paying for a good service or simply remitting funds, then the private key is used to sign over ownership of that digital asset to the second user. The wallet then broadcasts the transaction to a network of clients who race amongst themselves to verify the transaction and include it within the distributed ledger, also known as Block chain. As soon as the transaction is confirmed on the Block chain, then the payment is said to have happened.

12. **Electronic Data Interchange EDI**

Electronic Data Interchange is the electronic exchange of business documents like purchase order, invoices, shipping notices, receiving advices etc. in a standard, computer processed, universally accepted format between trading partners. EDI can also be used to transmit financial information and payments in electronic form.

13. **E-Cheques**

Digital cheque used by the payer to the payee through internet is called e-cheques. Electronic versions of cheques are issued, received and processed. Most of the banks use e-cheques. A secure means of operation is provided for collecting, payments, and transferring cash flows through this method. The payer issues a digital cheque to the payee and the entire transactions are done through internet. Nowadays we are hearing about e-governance, email, e-commerce, e-tail etc. In the same manner, a new technology is being developed in US for introduction of e-cheque, which will eventually replace the conventional paper cheque.

Making the customer central in the digital banking journey and humanizing the digital experience protection of consumer’s confidential information, which is stored, processed and transmitted to fiscal transactions, including the collection of payments should appear super easy. Case study on
creating a mobile-only bank should be reopen and look at from different prospective now. The impact of new technology on central banks: An assessment framework for innovations in retail payments needs to come out in open market to explore unbanked payment methods.

Today’s generation of consumers has high expectations when it comes to transparency and flexibility. Modern asset managers act quickly, effectively and transparently. They facilitate an independent yet customized solution and serve as clients’ professional link to all new technologies. This next-generation offer optimizes innovation, advancements, cleverness, coolness and smartness.

TRENDS IN DIGITAL PAYMENTS

Trend 1- Transform Digital Channels through Digital Convergence

Banks should have a multi-channel strategy that provides a roadmap for achieving digital channel convergence along with a platform for achieving seamless multichannel integration. In today’s context of multi-channel banking, a typical sales journey may span across multiple channels. Email and mobile are the most common channels banks use for sending information about new product offerings to their customers, while the Internet channel is being commonly used by customers to initiate the purchase for new product offerings. But such cross channel interaction often results in a broken customer experience and this may cause customer dissatisfaction with a bank.

IMPLICATIONS

There are certain technology considerations to address in order to enhance cross channel experience, as listed below:

· **Open Platform**: Open platform helps digital banking teams innovate faster and differentiate by more easily incorporating solutions by third-party providers or a bank’s internal developers via application programming interfaces.

· **Cross-Channel Interaction**: Building a cross-channel experience allows customers to switch channels anytime during their interaction with the bank. For instance, when submitting an application via a mobile app, mobile users can transition to the online or online users can switch to their mobile device to use the app or make a phone call to talk to a bank representative.

· **Virtual Assistance/ Mobile Apps**: Virtual personal assistants help to bring the simplicity and reassurance of in-branch banking to the digital world by using conversational natural language understanding, reasoning, and an in-depth knowledge of banking.

· **Multi-Channel Platform**: This forward-thinking approach delivers an enhanced customer experience and no loss of a sale when the customer tries to switch channels. The key to a consistent cross-channel experience lies in building channel capability on a multi-channel platform.
Trend 2- Focus on Core Banking Transformation to Enhance Competitiveness

The process of core banking transformation starts with developing a target business and operating model and then building a case for change. It is then followed by package selection and selecting the IT vendor for core banking implementation. Core banking transformation strategy depends upon the size of the bank and the complexity of operations and business transformation.

IMPLICATIONS

Core banking transformation is a complex and expensive undertaking and the following considerations must be kept in mind:

· **Pay-Off Period and Return on Investment**: The pay-off period for core banking transformation usually spans from three to five years and the ROI depends on both direct and indirect benefits of core banking transformation. It is therefore important to assess both quantitative and qualitative benefits of transformation. The qualitative benefits include improved customer service, employee effectiveness and efficiency gains, process improvements, enhanced business growth, and faster time-to-market. The quantitative costs include package licensing fees, implementation costs, and annual maintenance costs.

· **Managing Stakeholders**: Managing the transformation is equally challenging and involves detailed planning and managing expectations of all stakeholders. Strong leadership support and a capable change management team are critical for the success of core banking transformation in conjunction with effective communication and active management of all stakeholders with well-defined roles and responsibilities.

· **Managing Vendor and System Integrator**: Transformation of core banking systems takes years and therefore the long-term viability of the vendor assumes critical importance. Banks must assess vendor’s capability to continuously enrich their core banking solutions to meet emerging banking requirements. They should also assess the past record of the system integrator in successfully implementing core banking transformation projects and the maturity of its tools and methodologies.
The study also identifies a number of recommendations to mitigate the threats identified:

- **Mobile device threats** - unauthorized access, lost or stolen device
- **Mobile payment application and wallet threats** - reverse engineering, tampering with the payment application and the use of root kits
- **Merchant threats** - Point of Sale (POS) malware, Man-in-the-Middle (MiTM) and replay attacks
- **Payment service providers’ and Acquirers threats** - payment system compromise and data connectivity compromise
- **Payment Network Providers Threats** - token service compromise and denial of service
- **Issuers Threats** – payment authorization process compromise, token data compromise
CONCLUSION

Country like South Africa, which has, if not highest in world but many services where Cash is not allowed to come as those are strictly “No-Cash” services. An innovative leap is currently taking place under the keywords of social media and FinTech. Many banking services are being redefined. This includes technologies related to e-commerce, mobile payments, crowd lending, crowd investing and asset management. The result will be a future in which many services are only offered electronically.

Countless finance apps exist which generate added value for clients. These can be used to query master data, receive business news, create portfolios, enter payments, draw up charts, convert currencies, etc. These key challenges that banks and merchants need to know and have solutions ready when embarking on real-time payment processing.

In the days to come, banks are expected to play a very useful role in the economic development and the emerging market will provide ample business opportunities to harness. Human Resources Management is assuming to be of greater importance. As banking in India will become more and more knowledge supported, human capital will emerge as the finest assets of the banking system. Ultimately banking is people and not just figures. To conclude it all, the banking sector in India is
progressing with the increased growth in customer base, due to the newly improved and innovative facilities offered by banks. FDI has provided a great innovation to the whole of banking sector industry as banks are now competing at a global level.

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