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Digital Banking: Current trends and prospects in India

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ABSTRACT

Today there is tremendous growth in use of digital banking through mobile phone in India. The entire ecosystem for digital banking has been made possible by the initiative of the Government and has received a boost on account of the present Covid-19 Pandemic scenario. With the current pace of rapid ongoing technology intervention in the financial sector via digital banking activity one witnesses a very huge increase in the use of financial services via technology. This has been an eye-opener to all the commercial banking activity in the country to tap the huge potential of the unbanked market area that is available across India as well as the e-commerce space. It is conservatively estimated that about 60% of the Indian population have a mobile phone. With financial tools provided in the mobiles, a handheld bank is available in every corner of India covered by telecom services. Thanks to technology and digitization, various initiatives like Jan Dhan Yojana, Direct benefit transfers, RuPay card, account dormancy, Aadhar card, Unified payment interface, Demonetization, GST, New regulatory framework, New Payment Banks, Fintech etc., we are witnessing an ongoing "digital financial inclusion" in the country. Thanks to the digital initiative, today in India the Financial inclusion concept has become very important and has touched all aspects of society. The consumer perception towards digital payment is an important element contributing to the success of digital banking. Whether the process of digital banking will sustain and become a standard practice for all payments across domains in India or is it only a passing fancy being adopted mainly by the younger generation is question that needs to be examined. This research is directed to understand the development of digital banking in India as well as aimed at providing a glimpse of the user's behavior in respect of the use of digital banking, the satisfaction level and factors that affect its adoption. to understand the user perception and future intention. The research aimed at providing a glimpse of the user's behavior in respect of the use of digital banking, the satisfaction level and factors that affect its adoption. It has helped to identify the challenges in digital banking and predicts a successful future prospects for digital banking in India

Keywords: Digital Banking, Mobile Payment, DFI, Payment Bank, Fintech, e-Commerce

1. INTRODUCTION

Presently we can see there is tremendous growth in use of digital banking through mobile phone in India. Digital banking is a way of receiving and making payments through various apps on digital devices. In digital payments, payer and payee both use apps to send and receive money. The entire ecosystem for digital banking has been made possible by the initiative of the Government through the establishment of the National Payment Corporation of India (NPCI). NPCI acts under the supervision of RBI the ombudsman and central banking authority in India.

Any discussion in the current day India be it with academicians, policymakers, local government, the banking sector, business and corporate sector, the technology ecosystem, retail commercial sector, etc., a very common discussion agenda is directly or indirectly on the digital India initiative, economy, and its ramifications and benefits.

With the current pace of rapid ongoing technology intervention in the financial sector via electronic banking activity and communication across India including rural and remote areas of the country, one witnesses a very huge increase in the use of financial services via technology as well as an uptake in the e-commerce sector.

Due only to the availability of this cost-effective "financial technology", one does not fail to notice the fact that the standard of living across India is improving at a fast pace. This has been an eye-opener to all the commercial banking activity in the country to tap the huge potential of the unbanked market area that is available across India as well as the e-commerce space.

As an example, today in India, it is conservatively estimated that about 60% of the Indian population have a mobile phone which they actively use for instant communication. Suppose financial tools are provided in the mobiles, then a handheld bank will be

available with every India. Thanks to technology and digitization, welcome to Mobile banking in today's rising marketplace and an adaptation to mobile financial services. This had led to a new digital economy comprising of a "hybrid marketing & communication" tool as finance and business are going hand in hand.

Let's briefly recall various initiatives in India post-2014; Jan Dhan Yojana, Direct benefit transfers, RuPay card, account dormancy, Aadhar card, Unified payment interface, Demonetization, GST, New regulatory framework, New NPA assessment in commercial banks, payment banks, Fintech, small finance banks, etc. All these in a nutshell mean, we are witnessing an ongoing "digital financial inclusion" ¹ (DFI) phenomena in the country currently.

DFI can be broadly defined as digital access to and use of financial services by all sections of the country's population including remote and rural India ². It is the availability of digital financial services across the nook and corner of India. So what is needed for this and how does this happen cost-effectively. We can identify 3 main components of this service. The players are a technology platform, retail agents or technology finance communicators, and a device that is the ubiquitous mobile phone which will enable all transactions

Digital payments cover all transactions that are made through electronic devices, which include payments for goods and services that are made over the internet through mobile devices or at point-of-sale (POS) via Smartphone's, tablets or other electronic devices which connect to the internet. The transactions also cover peer-to-peer transfers between private users. The consumer perception towards digital payment is an important element contributing to the success of digital banking. The past decade has seen a steady growth in use of internet through smart phones in India especially after the demonetization in 2017. Just now an explosive growth in its usage is prevalent due to the lockdown and partial recovery from it due to Covid-19 pandemic.

With the ease of internet and data pack availability, the customer devices include a laptop, mobile phone, payment card, all used as a means of transmitting data and information or an instrument that connects to a digital point of sale POS terminal, all encrypted of course. Going forward and with awareness and trust, the whole of India can become financially wired.

Thanks to the digital initiative, today in India the Financial inclusion concept has become very important and has touched all aspects of society. It is a user-friendly technology method of offering banking and financial services to individuals. The market in India is growing by leaps and bounds with a good percentage of the young generations. The work for financial institutions, the regulatory organization that has adapted technology well, the sky is the limit for business development via the digital economy. It aims to include everybody in society by giving them basic financial services regardless of their income or savings. DFI focuses on providing financial solutions to all levels of society including the economically underprivileged both within the urban as well as rural areas of the country.

The term DFI is broadly used to describe the provision of savings and loan services to the poor in an inexpensive and easy-to-use form. It aims to ensure that the poor make the best use of their money and attain financial education. With advances in financial technology and digital transactions, more and more start-ups are now making financial inclusion simpler to achieve.

Whether the process of digital banking will sustain and become a standard practice for all payments across domains in India or is it only a passing fancy being adopted mainly by the younger generation is question that needs to be examined. This research is directed to understand the development of digital banking in India as well as to understand the user perception and future intention.

The research is aimed at providing a glimpse of the user's behavior in respect of the use of digital banking, the satisfaction level and factors that affect its adoption.

2. ECO-SYSTEM FOR DIGITAL BANKING IN INDIA

The last ten years has been a turbulent period for banking in general and digital banking, for India. Banking as an industry in India has been lively with the introduction of more private banks and introduction of payment banks in the system. It has been troublesome with the increasing oversight by RBI on large long-term credits extended in the past some of which have become NPA scams. The increasing competition among banks has also brought in creativity with new game changing practices like loan transfers, higher interest on saving accounts, zero balance accounts and cash withdrawals from ATM using mobile smartphones. We are seeing a stage where the management of corporate, retail, commercial banks, payment banks, telecom service providers, e-commerce portals, search engines and even street vendors are embracing digital payments at a pace never observed. The transformative excursion of banks and above-mentioned players from customary practices of cash or card to grasping a mobile based digital banking methodology has been breathtaking. The utilization of mobile UPI and digital wallets as popular alternate payment channels has soared, and the general acknowledgment is that it is on the ascent. Another arrangement of banks to allow micro (zero balance) accounts taking into consideration the inclusive policy of the Prime Minister to bring the base of the pyramid into banking has given a fillip to the digital India plan. Another development that has significantly contributed to the growth in digital banking has been the unprecedented development of Fintech industry in India³.

The endeavors of NCPI in building the digital framework and propelling activities like Unified Payments Interface (UPI), IMPS, Bharat Bill Pay, National Common Mobility Card, Electronic Toll Collection through FASTags and BQR based payments have helped in creating a digital eco-system in India. While we are still a long way from becoming a full-fledged digital economy, the current trends do give the optimism that it is achievable particularly in the years following the restrictions arising out of demonetization drive and Covid-19 pandemic. Measurements affirm that new payment instruments have reclassified the way clients and organizations do routine transactions. Presently, UPI based digital mobile transactions in India have risen by 188% year on year

to over 20 Billion transactions amounting to ₹.18.36 Trillion reducing the gap with IMPS transactions which are slightly higher at ₹ 21.6 Trillion. Taking together as digital banking it has an overwhelming share of over 70% of the total transaction value of ₹54 Trillion in 2019. UPI is adopted by more than 165 banks including payment banks alongside global players and is overseeing more than one billion transactions every month. Likewise, another eminent digital payment mode has been initiated in India with more than 10 million Fast Tag's issued for toll payments. Through this digital mode payment use of highways will be collected automatically at toll gates. It has become mandatory from January this year. The creation of these digital eco-systems was accomplished simultaneously with the help of the Fintech industry NCPI, RBI and the Government, who have invested extensive amounts of energy towards building a 'cash-less' or 'cash-light' society.

Declarations by the government and RBI acknowledging the advantages of digital banking to the national economy through subtle subsidies on transaction fees in UPI unlike debit and credit cards is anticipated. Building a strong foundation is needed for achieving a sustainable vision of development. We need to quickly move towards encouraging transactions through contactless cards and payment through QR/BQR scan and UPI even in Tier III, IV, V locations in the country. This would give a tremendous boost to digital banking.

For the digital ecosystem to grow and sustain in future there is a dire requirement to bring in soundness of transaction and consistency in performance. Going ahead it is important that every one of these progressions in the digital banking environment provide a guarantee that the payment frameworks will remain steady and secure. The users should be able to develop trust and confidence in the system. Today in light of Covid-19 Pandemic it is extremely important for the economy to take digital banking to the next level post 2025 and beyond.

Given the above development, currently, a "transformation" is being felt in the country where business, commerce, and digital content are working hand in hand. What does this entail? The whole concept and mindset of shopping have changed. Today mobile shopping is picking up at tremendous speed across the country. The huge uptake that began last year was due to Covid-19 pandemic and work from home. This is going to be the new India's growing digital economy which is already the top user of social media like "WhatsApp" and "YouTube". It is also among the top five users of "Facebook and "Instagram" in the world by number of subscribers⁴. Today the tech-savvy customers are increasingly using social media platforms for their shopping. So what is needed for organizations to get a slice of this market is to combine e-commerce with digital banking, with new content and communication, video shopping and content creators, an all-in-one package. What started as the Digital banking and financial inclusion initiative has now given new inroads to a new market find both for business explorations and for commercial banks to seek new customers.. Shippers currently in the Covid-19 pandemic scenario have experienced the advantages of embracing both e-Commerce and digital payments. It has given their business which was stagnating a real boost. While it has meant that investments have to be made in both resources as well as equipment to suit the digital environment, it has proved beneficial in the end. The latent advantages of analyzing the data and using new technologies of AI/ML would further add to the bottom lines. Be that as it may, building trust among customers especially smaller one's is one of the significant requirements. Considering that over 90% of the transactions from this sector have been traditionally in cash it is ultimately the key to move the needle to a more open and transparent economy.

There are currently 10 different modes of digital payments approved by RBI in India. These are

- Debit / Credit Cards – Both cards with and without contact.
- Pre-paid cards from Banks – Bank Cards
- USSD (Unstructured Supplementary Service Data) - Dial *99 for voice assisted payment
- Aadhar enabled payment system (AEPS): Correspondent banking using Aadhar
- UPI: Mobile app linked to a bank account
- Bharat Interface for Money (BHIM): It's like UPI that links account to mobile no.
- Mobile Wallets: Use of apps for mobile recharge and other payments.
- Internet Banking: Facility provided by bank on their website to manage the account
- Telecom Bank: ISP provides the app for making payments for recharge as well as others
- E-commerce or aggregator portal: Portals provide facility to keep money in advance for later use in purchasing or availing services.

The Government and RBI may need to keep empowering digital transactions through their strategies and policies. Banks and Fintech players should continually develop and acquire new innovations as their playing field changes. According to RBI the daily volume of transactions in digital banking average at about 100 million now for a volume of ₹ 5 trillion⁵.

Considering the super fast growth of digital banking and UPI the designated authority overseeing the system NCPI has recently decided to put a ceiling on the maximum number of transactions that a player can handle at 30%. This is to promote a level playing field amongst the competitors some of whom are backed by big international operators like Walmart Inc, USA owned Flipkart is the promoter of Phone PE, Alphabet Inc. USA is the promoter of Google Pay, PayTM is backed by Soft Bank of Japan while Amazon Pay is the promoted by Amazon Inc., USA.

3. REVIEW OF LITERATURE

Sanghita Roy, Dr. Indrajit Sinha (2014) expressed that E-payment framework in India, has demonstrated enormous development. While a lot more must be done to build its utilization. Digital framework will significantly help to integrate with the world economy. Rakesh H M and Ramya T J (2014) in their paper named "A Study on Variables Influencing Consumer Adoption of Internet Banking in India" looked at the elements that impact internet banking and discovered that its apparent unwavering quality and convenience has succeeded in pulling customers to it.

Bappaditya Mukhopadhyaya Y (2016) in his study on understanding cashless payments in India revealed that an extremely small correlation exists between cashless payments and education level as well as between cashless payments and income earned. It also revealed that a very high positive correlation exists between the people who collect the payments in their bank accounts and of those who are engaged in cashless payments.

Dr. Shilpa Bhimrao Gaonkar (2018) “Moving Towards Cashless India”, concluded that various new emerging instruments of going cashless in India are increased transparency, efficiency and convenience, easier tracking, etc.

Dr. N. Rakesh, Dr. K. Suresh Kumar, Dr. S. Satheesh Kumar (2018) in their paper the growth of cashless economy in India found that e-transactions have increased which could happen only with extensive recognition and acceptance of popular instruments such as credit and debit cards, net banking and e-wallets by the Indian population.

Dr Dinesh, T. M., Kiran Kumar Reddy, and Suhasini, K. (2018) The study demonetization and its effect on digital payments revealed that there was a considerable effect of demonetization on digital payments which are more visible in RTGS and mobile transactions. Prof Trilok Nath Shukla in his paper “Mobile Wallet: Present and the Future” (June 2016) has discussed about mobile wallet, working, types and its pros and cons. The study concluded that mobile wallets will be used to engage the customer by the marketers and digital business. irrespective of the market status of these mobile wallets.

4. OBJECTIVES

- To examine the demographic factors in relation to adoption of digital banking.
- To understand the customer perception about digital banking.
- To determine the most preferred mode of digital banking.
- To identify the challenges in digital banking
- To predict the future prospects for digital banking in India

5. SCOPE

According to ET around 70% of business organizations in India are managing their financial transactions through digital banking. Bangalore city is considered as an IT and Internet Hub in India. The research was conducted in Bangalore city. A hundred respondents using digital banking were selected using convenience sampling method.

Primary data and data tool

Primary data collected from respondents using digital banking through various modes and devices. A Google form questionnaire was used to collect data from the respondents.

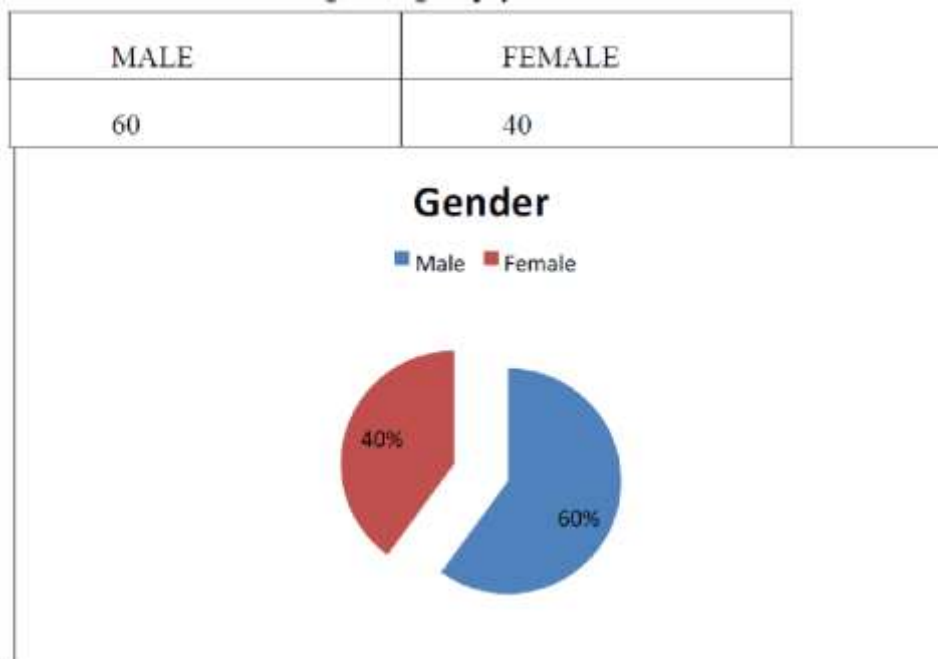
Plan of analysis:

The analysis was carried out using tabulation graphics and statistical chi square

6. DATA ANALYSIS

6.1 Demographic trends

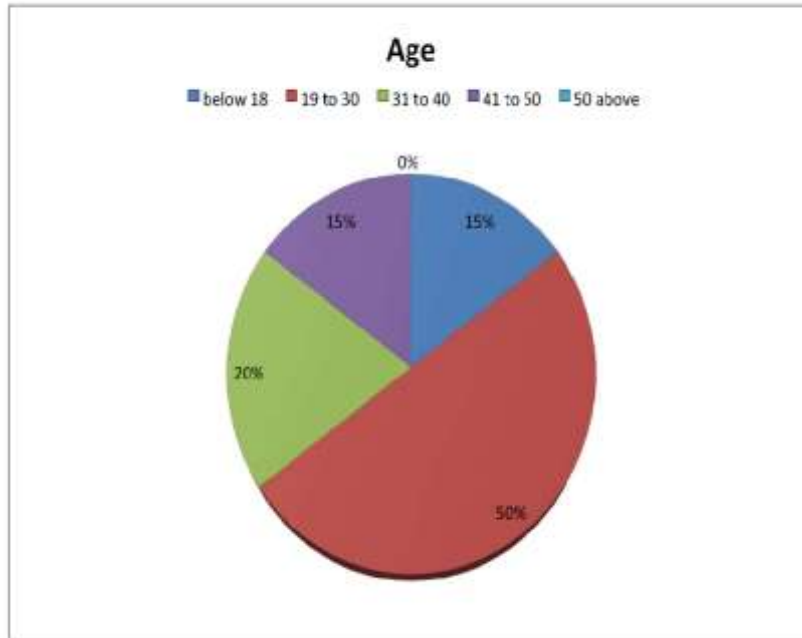
6.1.1 Gender break up of respondents



Inference: From the above it can be inferred that a majority of respondents are male.

6.1.2 Age wise break up of respondents

Age group	Responses
Below 18	15
19 to 30	50
31 to 40	20
41 to 50	15
Above 50	0



Inference: From the above it can be inferred that a majority of respondents are from the younger age group of less than 40 years.

6.1.3 Educational Qualifications of respondents

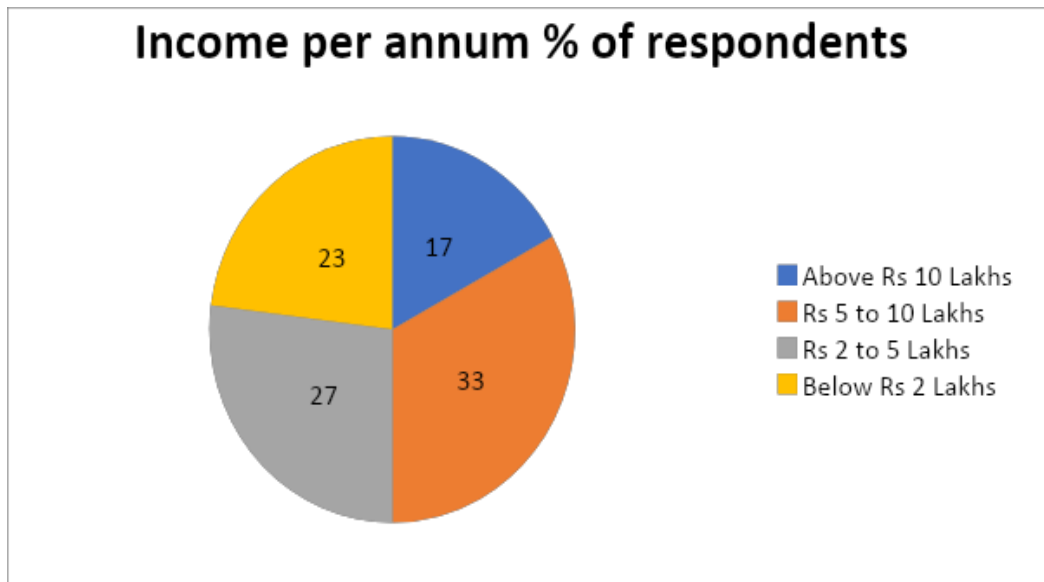
Qualifications	Responses
Secondary	17
Diploma	20
Graduation	40
Post graduation	16
Others	7



Inference: From the above it can be inferred that a majority of respondents are formally educated with a degree.

6.1.4 Income levels of respondents

Income Level	No of respondents	%
Above Rs 10 Lakhs	17	17
₹ 5 to 10 Lakhs	33	33
₹ 2 to 5 Lakhs	27	27
Below ₹ 2 Lakhs	23	23
Total	100	100

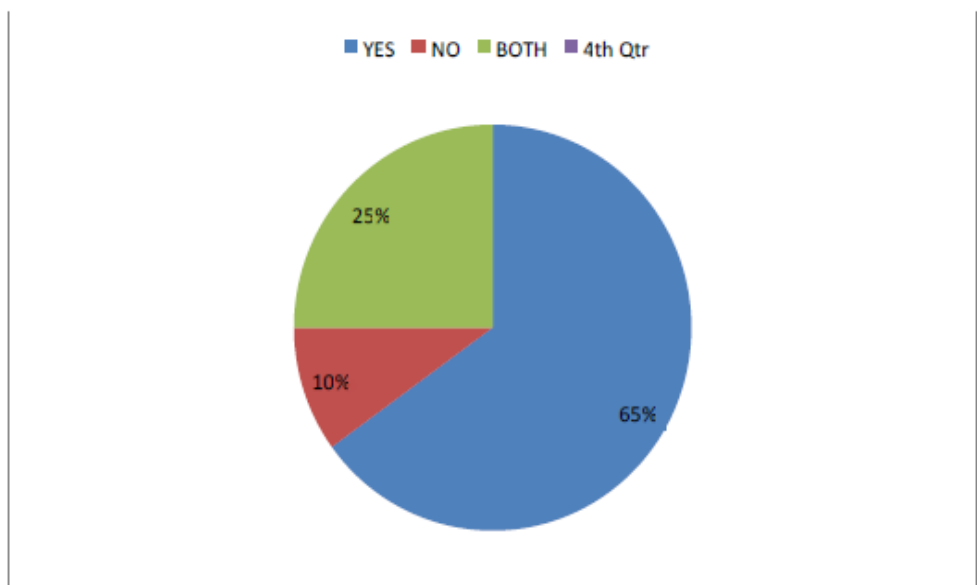


Inference: From the above it can be inferred that a majority of respondents are from the middle income segment from ₹ 2 Lakhs to ₹ 10 Lakhs.

6.1.5 Preference of Digital Banking over Cash

YES	NO	BOTH
65	10	25

Table 4.7

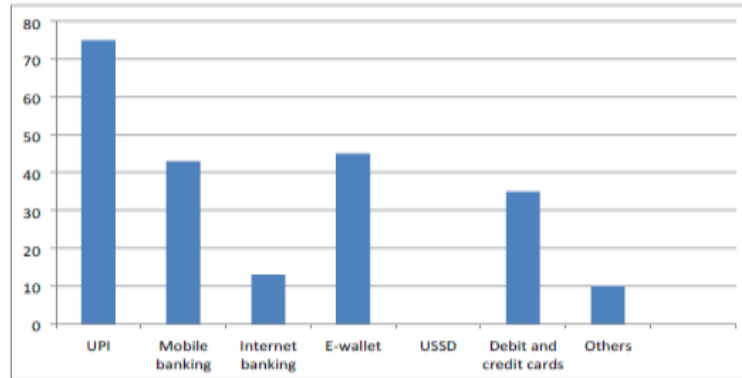


Inference: From the above it can be inferred that a majority of respondents prefer digital banking over cash transactions.

6.1.6 The preferred mode of digital payments and receipts

UPI	75
Mobile banking	43
Internet banking	13
E-wallet	45
USSD	
Debit and credit cards	35
Others	10

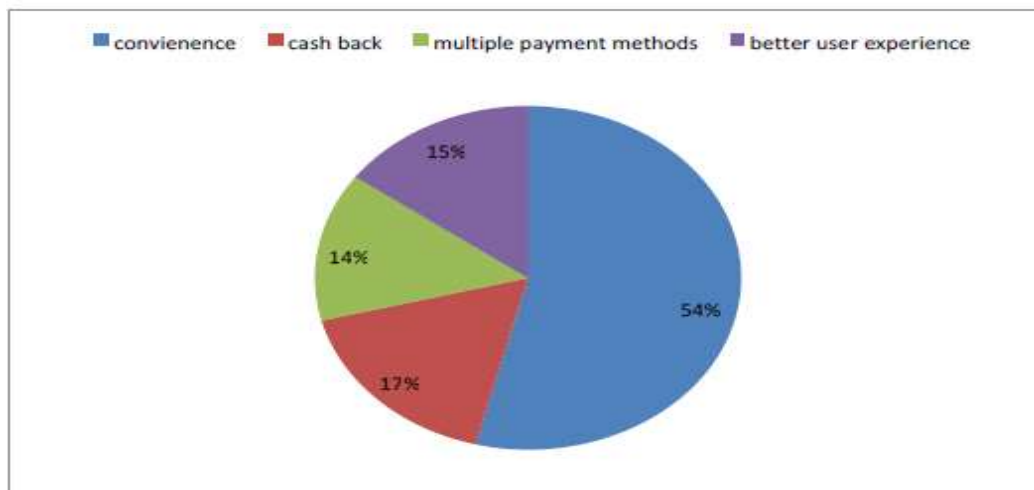
Table 4.9



Inference: From the above it can be inferred that majority of respondents are using UPI for digital banking followed by e-wallet and mobile banking. None of the respondents are aware of USSD which is used by people who do not have smart mobile phones or internet devices.

6.1.7 Reason for preferring digital banking

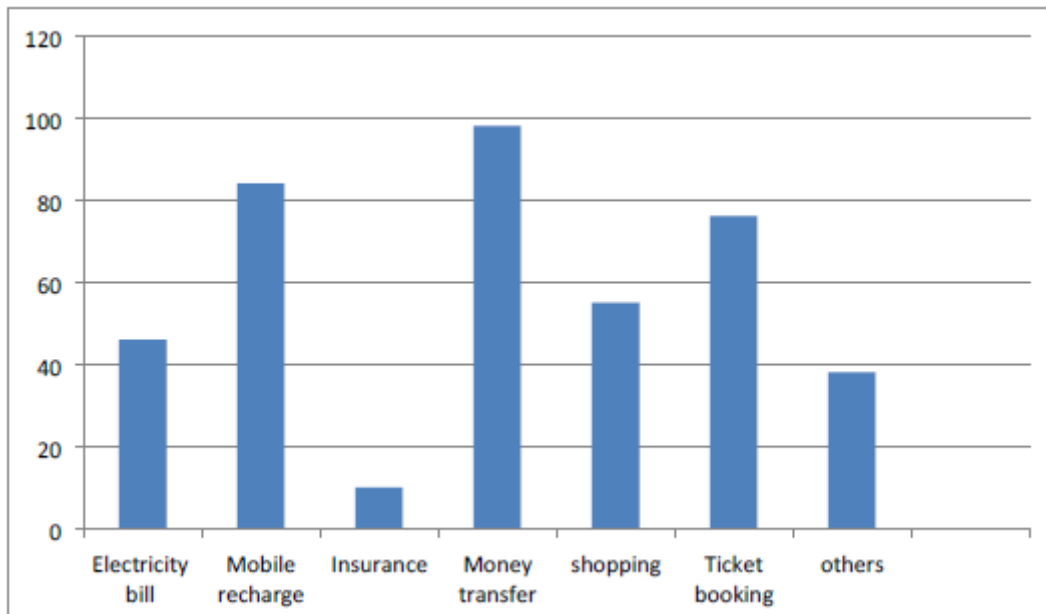
Convenience	54
Cash backs	17
Multiple payment methods	14
Better user experience	15



Inference: From the above table and chart it can be inferred that convenience is the main reason for respondents to use digital banking.

6.1.8 Application areas where digital banking is used

Electricity bill	46
Mobile recharge	84
Insurance	10
Money transfer	98
shopping	55
Ticket booking	76
Others	38



Inference: The main application area of use of digital banking is money transfer this is followed by mobile recharge and ticket booking for travel.

6.1.9 Challenges faced in digital banking

Transaction failure	70
Server issues	57
Lack of customer support	40
Loss of money	25
Other	23

Inference: Majority of the respondents faced challenges with transaction failure followed by server issues. Around 40% felt that they did not get enough customer support.

6.2 Cross tabulation for analysis

6.2.1 By Age and Qualification

Qualifications/ Age group	Secondary	Diploma	Graduate	P.G	Illiterate	Total
Below 18	3	3	5	4	0	15
19 to 30	8	10	20	6	6	50
31 to 40	2	4	10	3	1	20
41 to 50	4	3	5	3	0	15
Above 50	0	0	0	0	0	0
Total	17	20	40	16	7	100

6.2.2 By Gender and Income level in Rupees ₹

Income level/ Gender	Below 2lakhs	2 to 5 lakhs	5 to 10 lakhs	Above 10 lakhs	Total
Male	14	16	25	5	60
Female	9	11	8	12	40
Total	23	27	33	17	100

Analysis of Table 2.1

The popular belief is that digital banking is mostly preferred by young people (aged below 40 year) and having a higher education (graduate and above).

In order to test this, let us postulate as follows:

Null Hypothesis: Age and education have a significant bearing on the usage of digital banking

Alternative Hypothesis: Age and education have no significant bearing on the usage of digital banking

Chi Square test

Chi Square test

Observed value	Expected value	(O-E)	(O-E) ²	(O-E) ² /E
3	2.55	0.45	0.20	0.07
3	3	0	0	0
5	6	-1	1	0.16
4	2.5	1.5	2.25	0.9
0	1.01	-1.01	1.02	1
8	8.5	-0.5	0.25	0.02
10	10	0	0	0
20	20	0	0	0
6	8	-2	4	0.5
6	3.5	2.5	6.25	1.78
2	3.4	-1.4	1.96	0.58
4	4	0	0	0
10	8	2	4	0.5
3	3.2	-0.2	0.04	0.012
1	1.4	-0.4	0.16	0.11
4	2.25	1.75	3.06	1.36
3	3	0	0	0
5	6	-1	1	0.67
3	2.4	0.6	0.36	0.15
0	1.05	-1.05	1.10	1.14
Total=7.959				

The calculated value of Chi square at 7.959 is less than the tabulated value of Chi Square of 31.14 at 20 degrees of freedom and 5% level of significance.

Hence we reject the null hypothesis and accept the alternative hypothesis. Therefore, we can state that age and education do not have a significant bearing on the usage of digital banking. In other words, even people above the age of 40 years and from all education backgrounds including those without formal education are using digital banking.

Analysis of Table 2.1

Another popular belief is that digital banking is mostly preferred by men of higher income level (Above ₹ 5 Lakhs)

In order to test this, let us postulate as follows:

Null Hypothesis: Gender and level of annual income have a significant bearing on usage of digital banking

Alternative Hypothesis: Gender and level of annual income do not have a significant bearing on usage of digital banking

Observed value	Expected value	(O-E)	(O-E) ²	(O-E) ² /E
14	13.8	0.2	0.04	0.002
16	16.2	-0.2	0.04	0.002
25	19.8	5.2	28.6	1.45
5	10.2	-5.2	28.6	2.80
9	9.2	-0.2	0.04	0.004
11	10.8	0.2	0.04	0.003
8	13.2	-5.2	28.6	2.07
12	6.8	5.2	28.6	4.20

Total=10.538

Chi Square Test

The calculated value of Chi square at 10.54 is greater than the tabulated value of Chi Square of 7.82 at 20 degrees of freedom and 5% level of significance.

Hence we do not have enough evidence to reject the null hypothesis and state that gender and income levels do have a significant bearing on the usage of digital banking. In other words gender and income level apparently have an influence on usage of digital banking.

The question of whether digital banking is the first preference of which type of people needs to be examined. A cross tabulation of education levels and first preference for mode of payment can be used to examine this postulate:

Table showing the responses of preferred payment mode and Education.

Education/ Preferred payment	secondary	Diploma	Graduation	P.G	others	Total
Digital	9	12	29	13	2	65
Cash	2	1	3	0	4	10
Both	6	29	8	3	1	25
Total	17	20	40	16	17	100

In order to test let us postulate as follows:

Null Hypothesis: All people irrespective of level of education give first preference to digital banking

Calculation of Chi square test

Observed value	Expected value	(O-E)	(O-E) ²	(O-E) ² /E
9	11.05	-2.05	4.20	0.38
12	13	-1	1	0.07

Alternative Hypothesis: More educated people give first preference to digital banking

The calculated value of Chi Square at 19.01 is more than the table value of Chi Square at 5% level of significance for 15 degrees of freedom. Hence we reject the null hypothesis and can state that more educated people give first preference to digital payment compared to those with lesser or no formal education.

6.3 Likert Scale Qualitative Analysis

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Digital banking saves time and money	43	22	25	7	3
Digital banking has security issues	38	31	22	10	9
Digital banking is understood and easy to use.	17	54	22	7	0
Digital banking offers greater choice for both vendors and customers	11	57	28	0	4

5. FINDINGS

Findings based on the inferences drawn from the research study reveal as follows:

1. The gender wise the number of male respondents are relatively higher at 60% than females in the study. Although it does not exactly match the population ratio of 54% males and 46% females in India it could be taken as a rough estimate of the gender ration when one considers handling money and usage of banking
2. Age wise 85% of the respondents in the study were below the age of 40 years which implies that the results of the study can be attributed to the young. It would reflect the correct attitude towards digital banking in India since the current population of India is also similarly skewed towards the younger generation below the age of 40 years
3. As per the National Statistical commission, 78% of the population in India is literate. Since the study was carried out in Bangalore the % of educated among the respondents was found to be 93%. Although the share of illiteracy in India is 12% higher the inferences regarding the trends shown in the study may not be overtly influenced by the bias and can be accepted with this limitation.
4. As per income tax records in 2017-18 the % of tax payers who declared income between ₹2.5 to ₹10 lakhs were the maximum at 67%. Those below ₹2.5 Lakhs were 27% and those above ₹ 10 lakhs were the remaining 6%. Among the respondents the ratio for those with income between ₹ 2.5 lakhs to ₹10 lakhs was 60%, those below ₹ 2.5 lakhs was 23% and those above ₹ 10 lakhs was 17%. While the % of respondents between ₹2 to ₹10 lakhs and below ₹ 2 lakhs seems to be quite similar to the proportion as seen in the ITR. The higher % of respondents from the income group of above ₹10 lakhs may give a slight bias but could be acceptable as digital banking unlike traditional banking is high income neutral.
5. The respondents show a high preference for digital banking even after considering those who are comfortable with both digital banking and cash.
6. The preference for the mode of digital banking is for mobility as UPI, e-Wallet and Mobile banking all use the Smartphone for enabling the transaction. Other forms of digital banking including Credit/Debit cards, USSD or Internet banking using computer are less preferred apparently due to the lack of convenience.
7. The reason for the preference of mode of digital banking becomes clearer when we examine the purpose for which it is used. Convenience is the main reason for the high usage of digital banking today. Especially after demonetization of high value/old/dissipated currencies the circulation of new currency has been controlled and monitored carefully. The replacement of smaller denomination of ₹ 1, ₹ 2 and ₹ 5 by coins has also resulted in inconvenience to pay the exact amount by cash.

8. Digital banking is mainly used for money transfer by almost all respondents (98%), followed by mobile recharge (84%) and ticketing (76%). The usage of digital banking for shopping is much less (55%), other usage for utility payments, insurance etc. are even less.

9. Among the challenges faced in digital banking the respondents report that transaction failures is the main challenge faced by most number. Server issues related to the service provider and the non uniformity of downloading or uploading speed in server data networks in multiple locations is the other challenge. The occurrences of loss of money and other security issues are relatively less.

10. Statistical analysis using chi square shows that unlike popular belief both age and education do not have a significant bearing on the use of digital banking. It implies people of all age groups as well as education backgrounds including those without formal education are using digital banking.

11. Another significant revelation by chi square analysis of respondent data shows that there isn't enough evidence to reject that gender and income levels do not influence usage of digital banking.

12. The chi square analysis also shows that the goodness of fit is higher for more educated people with giving first preference to digital payment compared to those with lesser or no formal education.

13. The LIKERT scale analysis shows the following qualitative trends in the thinking of the respondents:

- a. 65% of respondents agree that digital banking saves time and money
- b. 59% of respondents believe that digital banking is better than cash transactions
- c. 77% of respondents confirm that digital banking has security issues
- d. 71% of respondents understand digital banking and find it easy to use
- e. 68% of respondents agree that digital banking offers greater choice for making and receiving payments.

7. LIMITATIONS OF THE STUDY

1. The respondents in taken for the study are from Bangalore city. While Bangalore is a cosmopolitan metro city in India t may not adequately represent the entire country as a whole.

2. The sample is of limited size of 100 and respondents are drawn from different backgrounds based on convenience. It may not accurately represent the population of Bangalore city as well as of India

3. The statistical analysis carried out is based on non-parametric test and hence inference drawn may carry bias due to outliers in the data if any.

8. CONCLUSION

Subject to the limitations both identified and latent the following conclusions could be drawn on the current trends and prospects for digital banking in India.

The research study shows that the current trends are in favor of digital banking in India. The prospects are seen to be positive across all ages of the population including the young, middle aged and older generations. It is also favored by people from low income, middle income and higher income The propensity may be slightly higher for people in the middle income groups.

Among genders the male gender uses digital banking relatively more than female banking but this may be because of the cultural aspect of men being more proactive in handling payments than women in a family. A deeper research study on behavior of women in Indian society with respect to handling banking and finance could be carried out.

Digital banking has challenges in terms of security issues related to exposure of private details on the network which have the potential of being hacked. The usage of digital banking at present is predominantly for money transfer, mobile recharges and ticketing. The individual transactions may not therefore be of very large amounts. While none of the respondents were ready to disclose the average transaction amount in digital banking it could be safely predicted to be below ₹10,000/- equivalent of US \$125. The volume of transactions on digital banking in India was reported to be currently growing at a CAGR of over 55% pa according to sources in the fintech industry and media.

Considering the current trends the prospects for digital banking is likely to increase even more over the next five years and may cross ₹3000 Trillion by 2025.

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