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## Research Article

### IMPROVING SERVICE QUALITY THROUGH DIGITAL BANKING-ISSUES AND CHALLENGES

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#### ABSTRACT

This paper aims to demonstrate service quality improvement through digital banking. It highlights the steps taken by RBI and the government's move after demonetization. This paper 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.

#### Key Words:

Demonetization, Digital readiness, Digital Banking, Financial rewiring, Fintech companies, Digital donation

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#### INTRODUCTION

Businesses are confronted with enormous challenges to perform. Product life cycles are shortening and development of technology are accelerating. Customer sophistication is growing and concern with the environment and its resources is emerging as a key issue since last decade. The convergence of technologies is giving rise to new businesses.

India has been passing through events Demo, Digital Payment. It has a huge potential of changing the face of the country's economy and the entire banking system of the country under the leadership of the central bank, The Reserve Bank of India in the days to come. As a blessing in disguise the cash crunch that has resulted from the demonetization move by the Union Government has been leading the country to adopt digital transactions in a big way. The Government is putting all its energy and efforts for a smooth transition towards the digital payment economy. This may emerge as a new way of life in the country, making the economy more flexible and transparent. The moves will not only have transforming effect on the economy but will also pave the way for a more honest, digital, modern India. It is a positive move and equally promising in the emerging scenario in India turning towards digital modes of payment.

The Prime Minister, Mr. Modi emphasized that, since a cashless society is not practically possible, India can still strive to become a less cash society. As people are pushed to adopt new cashless payment modes in the face of a shortage of notes in circulation, India is increasingly going digital post demonetization. The use of cash is being discouraged and what was initially a reform aimed at tackling the problem of black money has now turned into an opportunity to take the country towards a digital transaction environment. Digital banking companies have risen to the challenge. Demonetization had brought with it an inevitable slow down but the act could be the start of the new economy for India. At present, the digital transactions in India are estimated to just 17% of total transactions. If it doubles, it will not be less than a revolution.

#### Significance

India was emerging a strong digital economy with penetration of internet. Andhra Pradesh is the pioneering state in putting to use new technologies like Internet of things, cloud computing and data analytics. No country has more at stake in digital technologies than India. Digital technology is playing a key role in India from informal economy to formal economy.

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The digital push is very important step towards the Digital India programme and without spreading the services to the rural areas or far flung villages it cannot become a success.

The Government's move is aimed at eradicating the black money and push Indians towards a cashless economy. But, irrespective of the outcome, the convergence of the factors will reshape India's relationship with money, especially the middle and upper class.

The demonetisation drive by the prime minister surely is a bold and decisive move to root out corruption from the society; it is also a sure step towards a digital way of life as it infuses a cultural change among citizens of India to go cashless.

India is at the point of making an important decision at the moment for a major economy revolution.

Two things make India unique-one, India has a fairly robust banking network. Two, India has relatively a low legacy issues with just 23 million credit cards and over 660 million debit cards (mostly used as ATM cards).

### **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 by STEP approach.
3. To examine the role of private participation by the Fintech companies.
4. To identify various metrics used for enhancing the service quality and offer suggestions for better implementation.

### **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.

### **Period of Study**

November 2016 to Jan 2017

### **Sources of Data**

Newspaper clippings-Economic Times-Nov 2016 to Jan 2017  
Business Line-Nov2016 to Jan 2017  
Express Computer-Jan 2017

Services and Marketing People, Technology, Strategy-Christopher Lovelock / JochenWitz/ Jayantha Chatterjee

### **Scope of the study**

The study is limited to digital banking through various modes of transactions for a smooth transition and with enhancement of service quality.

### **Banks Transformation**

Banks, especially the Indian ones are at the absolute frontline making favourable digital impact on their customers, business models and employees.

This approach suffers from an automation syndrome, proponents of automation as proxy for digitalization that once

they are able to do in computers whatever they did manually, they had digitalized. Some others believe that digitalization is a channel strategy.

In banks, the present day approach is to have digital by defining and positioning digital channels along with the brick and mortar products and channels or a substitute for them. A few others believe that, the role of digital is to push marketing of brands, products, services. The marketing and business development strategy of a bank can also be to govern through data analytics, service or a combination of both.

When transitioning to digital payments thanks to the effort of the national payment corporation of India, the country has the most advanced e-payment system in the world which is universally acceptable.

### **Digital Banking**

The banking will undoubtedly continue to expand as its customer base grows and customer appetite remains unsated, changes are imminent. As the industry evolves it will play a role well beyond financial products and services.

This new fintech era is being shaped by changes in market conditions, new regulations and shifts in customer demands and behaviours where once companies focussed on payment applications, lending and money transfers the industries reach has extended into more than 30 areas. The shift brings fintech away from a focus on frontline activities. The new offerings cut across a wide swath of financial services, retail, small and midsize enterprises, corporate and investment banking and governance.

### **Issues**

- In the cashless economy there will be short and medium term pain.
- Great potential to realize the digitalization dream, there are few barriers to adoption.
- Enquiries at banks will be increasing.
- It is critical as the digital readiness needs to be understood properly and correctly.
- The service quality faces tremendous issues as they seek to serve multiple segments across a huge geographic area.
- India is very diverse. Some use wallets, some smart phones and some who are both digitally and financially not so literate will use aadhaar pay.
- Along with some 360 million poor, 104 million senior citizens-across different income classes-who have grown up in tech-less India will be spectators as the digital wave of e-payment.
- Their idea of savings (in real estate and gold), their relationship with money (the old way of doing business-buying and selling with cash) and their discomfort and often inability to deal with new technologies are what will make things difficult for them.
- Out of say around 700 million people who have a phone, almost million would have a smart phone and then we would have 400 million feature phone users out of which half would use USSD (Unstructured Supplementary Service Data). So the balance 200

million plus another 250 million who do not have any phones or cards are the most vulnerable section of population.

- The technology readiness of different sections of the population must be assessed and categorized - into the known segments of explorers, pioneers, sceptics, hesitators and avoiders- to make efficient and cost effective marketing of these services. Banks and the RBI will swiftly address security concerns. Privacy concerns are also an issue with digital transactions.

#### **Improving Service Quality**

- Service Quality-Service Quality from the user's perspective as consistently meeting or exceeding customer expectation.
- Improving service quality-it is commonly said that "what is not measured is not managed" and of course measurement is needed to determine whether goals for improvement are met for after changes have been implemented.
- Integrating quality and productivity are twin parts to creating value for both customers and companies.
- Quality focuses on the benefits created for the customer's side of the equation, and productivity addresses the financial costs incurred by the firm. If not properly integrated, these two factors can be in conflict. Quality and productivity improvement strategies must be considered jointly.

#### **Banks Initiative towards digital push**

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's digital payment drive**

##### **Veering towards less cash economy**

- The centre is favouring on a cashless economy and Tamilnadu is one among the highest digital transactions are concerned. The digital transaction volume in the state was just around 5%. It has shot up to 28% after demonetization and is among the highest.
- Government sets up 13 member panel to draw roadmap for digital payment systems. The committee will identify the global best practices for implementing an economy primarily based on digital payment and examine the possibility of adoption of these global standards in the Indian context. It will also outline measures for rapid adoption of digital payments system through cards, digital wallets, internet banking and unified payment interface among others and will set a roadmap for implementation of these measures in the next one year.
- The year 2017 is going to see new security challenges emerging. The digital transformation is now truly underway and from a cyber-security perspective there is

integration of digital and physical into a new emerging world.

- The government has been promoting digital transactions since Nov 8 when it announced demonetization. Government is going to create digital transaction Index. It will be based on three parameters-(1) total transactions in a state (proportion of cash and digital transactions), (2) the extent of penetration and (3) usage of different modes of digital payments.
- 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).

#### **Private participation in the digital move**

Fulletron India credit company had 40000 internet payment gateway transactions from rural areas and 100000 swipes for repayments through POS machines. 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 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.

To facilitate the digitalisation journey of Patna municipal corporation by deploying 100 MPOS and seven CDMS for tax collection ( Mobile Point of Sales) and make use of debit and credit cards. By way of providing seven cash deposit machines (CDMS), self-service terminals that will empower the citizens to deposit and make payment transactions?

#### **Tools for enhancing service quality**

1. Opportunities for new revenues
2. Ability to differentiate the improvements
3. Learning from the customer experience
4. Time to decide and time to act
5. Employee productivity

#### **Financial rewiring**

With a unified payment interface (UPI) India has just rolled out the world's most advanced digital payment network.

Universal acceptability of UPI (across 25 banks and growing) makes digital payment a compelling option. Unlike the US with 323 million credit cards India has fewer legacy issues with just 23 million credit cards and 660 million debit cards (87% used for cash withdrawal). There are easy digital options like e-wallet of paytm and peer to peer payment systems like IMPS by banks.

#### **Challenges**

Common challenge shall be to continuously test, recalibrate the readiness of the organization to go digital.

'STEP' test. This approach is highly useful, both for the leadership to gauge readiness and refine and enhance it. The acronym STEP stands for 'S'-Security First. 'T'-Transformation preparedness, 'E'-Enterprise Architecture. 'P'-Productivity as the key foundation.

In real time the strength of security shall be tested at every touch point. The old methods of security governance will be able to serve the new demands only partially.

Readiness of the organization shall be good with effective end to end capabilities as compared to diagnostic, reactive and remedial regime favoured by banks today.

Transformation preparedness will also be a key test of digital readiness of the banks platformisation and rapid obsolescence of existing products and services.

Many merchants still prefer cash transactions when the amount is not too large also Connectivity issues in POS machines.

To manage demand in capacity constraint in service businesses.

## **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.

Welcome to the wild, exciting, efficient world of new age cash less transactions.

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