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# Impact of Digitization and Digital Banking System in Development of Souharda Co-Operative Banks in Karnataka

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**Abstract:** *This present study focuses on the impact of digitization and digital banking system in development of SCBs in Karnataka. Digitization is the process of converting data into digital format. Digitalization means the adoption of technology. Digitalization affects everything to solve the problem by going cashless and increases the efficiency of new and existing customers. The digital technologies have achieved very rapid adaptation in a very short period. It is fully digitalized from day one, and it is providing all the needs of the customers efficiently. As the banks are digitalized the gap between rural and urban is reduced, digitalization includes digital banking it means just going paperless. SCBs are providing different types of digital banking system for their customers, such as All Time Money (ATM), Real Time Gross Settlement(RTGS), National Electronic Funds Transfer (NEFT), Adhar Payment Bridge System (APBS), Immediate Payment Service (IMPS), Credit and Debit Cards, Mobile Banking, Online Banking, by this the lower and Middle class people are getting a better service. This paper analyzed that impact of Digitalization and Digital Banking system of development.*

**Keywords:** *SCBs, Digitization, Digitalization, Digital Banking, Status of SCBs, Services, ATM, Online Banking, Mobile Banking.*

## I. INTRODUCTION

Co-operative banking is a kind of banking that play very important role in our financial system. Co-operative means working together. The principle of co-operative is as old as human society. It is purely the basic of domestic and social life. The Souharda Co-operative Banks (SCBs) are working under Karnataka Souharda Sahakari Act-1997. The recognition, encouragement and voluntary formation of co-operatives based on Self-help, mutual aid, wholly owned managed and controlled by members as accountable, competitive, self-reliant and economic enterprises. 'Digital' is the new buzzword in the banking sector, with banks all around the globe shifting towards digitalization. Banks of all sizes and across all regions are making huge investments in digital initiatives in order to maintain a competitive edge and deliver the maximum to its customers. The Digital Banking may be viewed as adoption of various existing and emerging technologies by the banks, in concert with associated changes in internal operations as well as external relationships for providing superior customer services and experiences effectively and efficiently.

### A. Objectives of the Study

The following are the objectives of the study;

- 1) To study the impact of digitization and digital banking system in development of SCBs.
- 2) To study the status of digitalization and digital banking system in SCBs.

### B. Methodology

The present study is mainly based on secondary sources. The secondary data required collected from related research papers, books, different Journals, newspaper, published reports, magazine, and website, various issues Reserve Bank of India, Documents of Records of SCBs, various studies on this subject available have also been referred in this study ,

## II. DIGITIZATION-DIGITALIZATION

Digitization is the process of converting data into digital format. Digitalization means the adoption of technology. But these two words are being used interchangeably. Digitization is not an option for the banking industry, rather it is inevitable because every industry is being digitized and banking sector is no exception. With the help of technology, banks are able to reach out to more customers and provide better services to them. The digital technologies have achieved very rapid adoption in a very short period, leading to a process of transformation, which is profoundly changing society and the economy.

#### A. Role of Digitization in Banking Sector

Banks are not just a part of our lives but have a significant role in our daily lives. For many, a day will not end without at least a single financial transaction. Thus banks always try to adopt latest technologies to enhance customer experience. Digitization is not an option for the banking industry, rather it is inevitable because every industry is being digitized and banking sector is no exception. Mobile banking is increasing at a fast pace more than online banking.

Figure-1 Significance of Digitization of Banking Sector



Figure-1 Flow Chart of Significance of Digitization of Banking Sector

#### B. Advantages of Digitization in Banking

- 1) Improves customer experience
- 2) Reduction of costs for banks and customers by using All time Money, cashless transaction etc.,
- 3) Technology is non- discriminatory, everyone will be treated same at banks.
- 4) It reduces human error.
- 5) Repetitive tasks will be eliminated by automation.
- 6) The rural and urban gap will be eliminated.
- 7) Productivity will be increased.
- 8) With the increasing cashless transactions, fake currency threat will be reduced.
- 9) Cashless transactions ensure transparency and reduce black money formation.
- 10) In Digitization Cashless, transactions counter tax evasions.
- 11) The problem of fake currency notes can be eliminated by digital payment.
- 12) Digitalization is increasing the efficiency of banks.

### C. Disadvantages of Digitization in Banking

- 1) Digitalization reduces the effort of employees and hence results in loss of jobs, will be compensated through a creation of new jobs such as cyber security, research team for innovation in technology.
- 2) Banks will be more vulnerable to cyber attacks as cybercrime and other modes of thefts will be increased. There is a lack of digital awareness in the country, forget about awareness cyber crimes.
- 3) Privacy may have to be Compromised.
- 4) A large part of Indian Population is digital illiterates so they are not comfortable with banking digitization.

### D. Meaning of Digital Banking

A CELENT report from December 2014 – 'Defining a Digital Financial Institution: What Digital Means in Banking' – proposed a definition for the industry. Digital banking is delivering a customized but consistent FI brand experience to customers across all channels and points of interaction. The Digital Banking is more than just going paperless. Leading players are offering a new and improved customer experience and delivering faster and more efficient services. The Digital banking also known as internet banking, e-banking or virtual banking is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institutions website.

## III. STATUS OF DIGITIZATION AND DIGITAL BANKING DEVELOPMENT SYSTEM OF SCBs

In Karnataka state there are 18 Souharda Banks working under the KSSA ACT-1997, which is digitalized, and giving outstanding service to the souharda bank customers. It is making the customers comfort and to be happy. Souharda Digital banking services are as follows, All Time Money (ATM), RTGS, NEFT, APBS, IMPS, Mobile Banking, Internet Banking, Credit and Debit Card, E-statement are provided to the SCBs customers. SCBs are providing digital banking of easy and better quality service for lower middle, upper middle class and poor people, it is digital service oriented; from this souharda co-operative banks are attracting the customers. Nowadays the customers are receiving services such as e banking, deposit, withdrawal, recharge, transfer of money by the help of digital banking in their tip of the finger. This saves the time of the customer and makes them happy and safe banking experience, as all the banks are digitalized and hence SCBs has status of positive economic growth.

### A. Impact Before Digitalization of SCBs

Before digitalization the customers of SCBs are in less of membership. The customer has to wait long time and this was not satisfied by the members. The SCBs branches are very less; the old traditional relationship between the bank and its customers has been on a one-to-one process. This process takes time to complete a single transaction and may result in frauds and mistakes, modern souharda bank cannot depend on one-to-one process as the customers demand advanced services. A single transaction takes more time.

### B. Impact after Digitalization and Digital Banking System of SCBs

The 1990s the internet emerged and online banking started becoming the norm, the improvement of broadband the e-commerce systems in the early 2000s. Nowadays the SCBs can't depend on one to one process of the customers, so all SCBs development system are getting computerized banks working in Karnataka state and it is also reduces frauds and mistakes. Digitalization banking system improves customers and all so increased before digitalization there was less number of members and loans and advances (Short-term, Medium term, and Long-term) loans, process is very late, but after digitalization all these term loans quickly process and the banks got transparency. SCBs are constantly getting profit from digitalization and digital banking payments system had got positive impact on the SCBs.

In SCBs as we compare to old banking system Nowadays customers also increasing to more extent and in the attempt to encourage poor and illiterate people in rural areas to make digital banking, most of the rural people are buying goods and service by cash based transaction habits in rural area so they digital system need to be digitalized banking system.

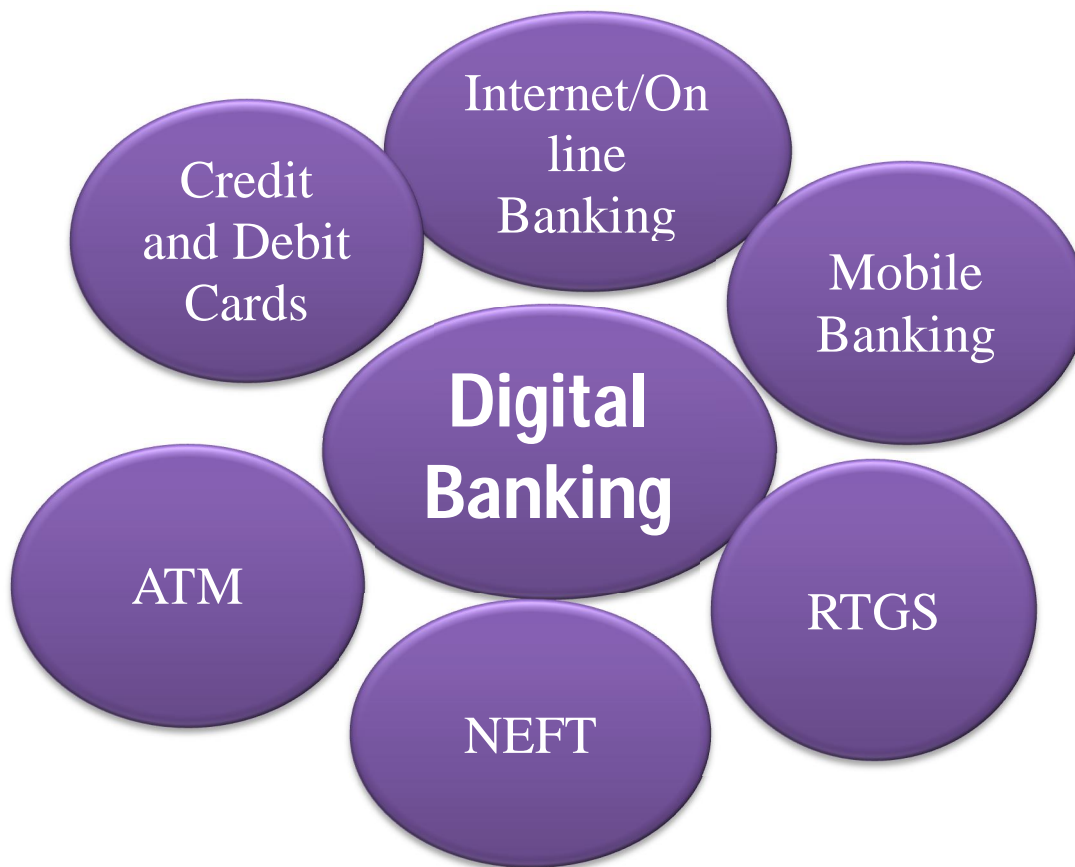
### C. Digital Banking System of SCBs

- Mobile Banking- SMS Alert Services
- The Souharda Co-operative Banks are providing immediate payment services; this service is 24\*7 and 365 days in Souharda Co-operative Banks.



- Real Time Gross settlement ( RTGS)
- National Electronic Funds Transfer(NEFT)
- Automated Teller Machine (ATM)
- Credit and Debit cards
- Internet Banking (IB)
- 24\*7 Phone Banking Services
- Aadhar Payment Bridge System ( APBS)
- Immediate Payment Service ( IMPS)

Figure-2 Flow Chart of Digital Banking System of SCBs



#### IV. CONCLUSION

Digitalization become easier after arrival of various digital services, it supports banks in the direction of develop effective and informative banking strategies to gain faith of customers. Digitalization user perceived that in spite of many benefits there is a threat of compromising privacy and safety and it is a worthy. That shows they must have suspicion and confusion and regarding safety and privacy

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