Chapter 6

Impact of Digitization on Commercial Banking Services

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ABSTRACT

The chapter gives us an overview and defines digitization and financial services and how both of the verticals can be incorporated into each other. It aims to determine factors that influenced consumer attitude towards online banking, discrepancies faced by the consumers in online banking, the degree of satisfaction among the consumers and their background of the Indian banking system. How the banking system in India is categorized is included. The chapter defines the various functions of commercial banks and the myriad services they provide. In order to conduct the research, a questionnaire was prepared. It is attached below. Descriptive analysis has been done.

INTRODUCTION

Banking has to work when and where you need it. The best advice and the best service in financial services happen in real time and is based on customer behavior, using principles of big data, mobility and gamification. –Brett King (Futurist)

We live in times where everything is just a click away. You wish to order food, you have Swiggy, Zomato. You wish to book cabs, you have Ola, Uber. You wish to wish to get treated with personalized services, you have UrbanClap. This puts emphasis as to how impertinent technology is in our day to day activities.

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Digitization, in its literal meaning implies, the process of converting information into a digital format. Digitization helps in making information available within a matter of seconds. It is really difficult to assume even a day without our cellular devices or laptops sans internet connection. But why has digitization become so important? Why there is a need to have it in our financial sector and further cascade it down to financial services?

Wikipedian interpretation of financial services states that financial services are the economic services provided by the finance industry, which encompasses a broad range of businesses that manage money, including credit unions, banks, credit card companies, insurance, consumer finance etc.

The financial services sector forms the crux on which an economy stands. Without a solid financial services sector, the basic activities required to run a nation’s economy cannot be made operational. A financial services sector encompasses in itself myriad services like investment banking services whereby in capital markets it involves underwriting services, assist companies with mergers and acquisitions, providing brokerage services and also private banking services exclusively to high net worth individuals.

We have Private equity funds and venture capitalists that provide financing to the new businesses in return for an equity stake in those companies. One of the most popular financial services provided by this sector is commercial banking service. Commercial banking services form the foundation of financial services group. The basic activities of any commercial bank include safekeeping of deposits, issuance of credit and debit cards and the lending of money.

The banking industry is largely customer driven and hence a survival in today’s competitive environment depends as to how technologically advanced this sector is since most of the people especially in urban areas have access to internet connection and everybody owns a desktop/laptop or a cellular device.

The most impertinent role played by technology is enhancing and improving quality of services provided by the banking industry. Technological advancement is rightly regarded as the third wave of industrial revolution after agricultural and industrial revolution. Technology’s importance is so much that it is a “need” now to have digitization in the financial sector rather than just something that’s there to boost a company’s value. We live in times where everybody is in rush from dawn till dusk. Technological advancement in any sector saves time and provides better customer services. Moreover, it reduces the operational costs on the part of an institution.

Hence, digitization in financial sector is revolutionary.

The need and importance of digitization in financial sector in India was felt in the late 1980’s. In 1988, the Reserve Bank of India set up a committee on computerization in banks that was headed by Dr. C. Rangarajan. The committee emphasized on the need to make settlement operation computerized. Hence, the banking industry began
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