

## ADOPTION OF DIGITALISATION IN BANKING AND ITS IMPACT ON POVERTY IN INDIA

**Mr. A. Venkatesan\*, Dr. N. Maria Nevis Soris\*\***

\*Reg. No. 21122231011002, Ph.D Research Scholar (Part time – Internal)

PG & Research Department of Commerce,

V.O.Chidambaram College, Thoothukudi – 8, Tamil Nadu, India.

Affiliated to Manonmaniam Sundaranar University, Tirunelveli – 2, Tamil Nadu, India.

Mobile No. 9952606497, Email: [venkatesh13com63@gmail.com](mailto:venkatesh13com63@gmail.com)

\*\*Head and Associate Professor, PG & Research Department of Commerce,

V.O.Chidambaram College, Thoothukudi – 8, Tamil Nadu, India.

Affiliated to Manonmaniam Sundaranar University, Tirunelveli – 2, Tamil Nadu, India.

Mobile No. 9442190929, Email: [mnsoris@yahoo.com](mailto:mnsoris@yahoo.com)

### ABSTRACT

The concept of digitalisation has to be evolved and thrive in various segments of the society. Even, the banking sector has to be introduced various instruments of payment and settlement through electronically to the public. It promotes the financial inclusion and economic development of the country. In India, the RBI and union government has to take several measures regarding the online transactions to attain the goal of Digital India. It facilitates to enhance the growth of poor and to succeed the principle of Direct Benefit Transfer. This paper discusses about the penetration of E-Banking activities during the last decade. The main objective relates to digital adoption has to reduces the poverty.

**Keywords:** *payment and settlement, e-banking, direct benefit transfer, poverty*

### INTRODUCTION

Digitalisation is the new buzz or the modern expression in all the sectors. It refers to the use of digital technologies to change a business model and further provide new revenue and value-producing opportunities. The world has seen a rapid advancement in technology over the past several decades. Technology has left a permanent mark on everything and anything that human beings can fathom. There has been technology explosion in all sectors and banking has been one of the sectors to adopt information technology. All over the world, banks are making a tremendous stride towards digitalization to endure up with the competition and provide their clients with the best services.

Digital Banking refers to digitalizing the traditional methods of banking to conduct banking transaction more smoothly. Contrary to traditional banking, digitalized banking aims to make versatile computerized products and services to fulfil the requirements of their digitalized clients. The introduction of digital banking has revolutionized the banking sector and modified the entire procedure bank transfers, it has facilitated the purchasers assisting them to see their account details, pay online bills and transfer money from one account to the opposite in a faster way. This has helped the end-user to enjoy a methodical financial life, further embracing hassle-free online banking.

## **STATEMENT OF THE PROBLEM**

Today banks aim to provide fast, accurate and value banking experience to their customers. Today, the chief concern for all the banks in India is digitization. The Indian Government is at a high rate is promoting digital transactions. The launch of the United Payments Interface (UPI) and Bharat Interface for Money (BHIM) by National Payments Corporation of India (NPCI) are the two prime significant steps for innovation within the Payment Systems domain in India. UPI is a mobile interface where people can make instant funds transfer between accounts in several banks supported virtual address.

## **OBJECTIVES OF THE STUDY**

- ❖ To identify the E-Banking penetration in India during the last decade.
- ❖ To know the Payment and Settlement System in India during the pandemic.
- ❖ To know the subscribers base of wireless services in India.
- ❖ To study the Digital adoption in Banking and it's eradicating the poverty.

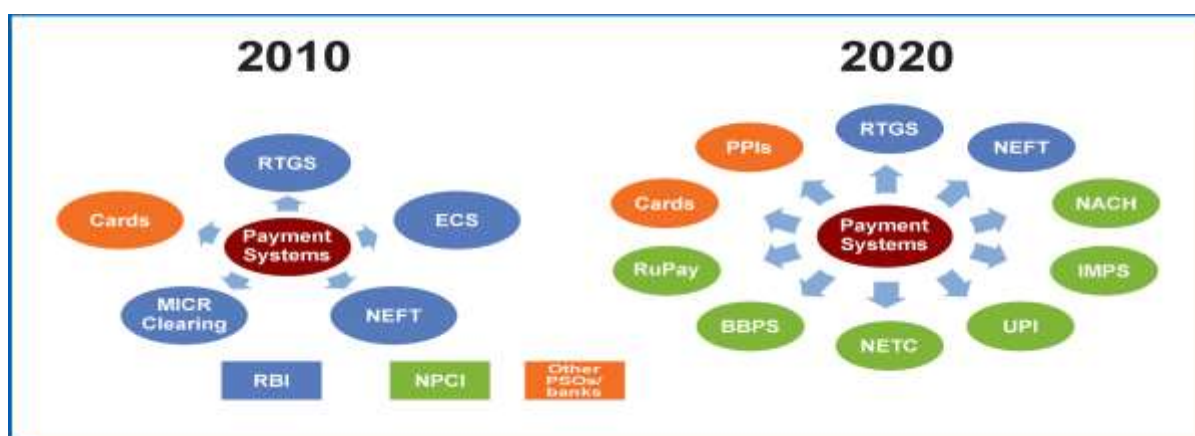
## **E-BANKING PENETRATION IN INDIA DURING LAST DECADE**

E-Banking has resulted in transforming India into a country riding the peak of a wave in the evolution of digital payments. Chief among those steps was the conceptualisation and establishment of institutions - Institute for Development and Research in Banking Technology (IDRBT), National Payments Corporation of India (NPCI) and Clearing Corporation of India Limited (CCIL) - that laid the foundation of India's payment systems. The bouquet of digital payment products that is available in the country and that enriches the consumer experience with choices, convenience and confidence in the digital payment ecosystem, owes a lot to these institutions.

Over the course of this journey, significant upgradation was achieved by way of enhancement of acceptance infrastructure, boost to financial inclusion and adoption of digital modes for Government payments backed by the national identity authentication, Aadhaar framework. To win the trust of customers, an expanding payment system was overlaid with a reliable supervision and settlement mechanism. Interoperability among payment systems facilitated unparalleled ease of transactions while robust customer protection measures have made India's retail payment system one of the safest in the world. The journey has only just begun, but India is already seen as a player at the global forefront in the domain of digital payments.

The decade of 2010-20 can be termed as the decade of payments in India. There have been many defining moments that transformed the payments ecosystem of the country and attracted international recognition. During the decade, the country has witnessed the introduction of innovative payment systems, entry of non-bank players, and a gradual shift in the customer behaviour from cash to digital payments. We have a unique secure and interoperable Unified Payments Interface (UPI) for retail payments, biometric based as well as the QR code-based payments.

**Table 1**  
**India's Payment systems**



Source: Payment and Settlement Systems in India – RBI

The Bank for International Settlements' (BIS) Committee on Payments and Market Infrastructures (CPMI) defines payment systems transactions to include the total transactions undertaken by all payment systems in the country. Considering this definition, payment systems transactions in India would comprise of transactions processed and settled through (a) Paper Clearing [Magnetic Ink Character Recognition (MICR), Non-MICR, Cheque Truncation System (CTS), Express Cheque Clearing System (ECCS)]; (b) Bulk electronic transaction processing systems like Electronic Clearing Service (ECS), with its variants

Regional ECS and National ECS; National Automated Clearing House (NACH) - Debit and Credit; (c) Card Payments (Debit, Credit and Electronic); (d) Large Value [Real Time Gross Settlement RTGS)]; (e) Retail [National Electronic Funds Transfer (NEFT)]; (f) Fast Payments [Immediate Payment Service (IMPS), Unified Payments Interface (UPI)]; and (g) e-Money [Prepaid Payment Instrument (PPI) Cards and Wallets). Except (a) above and cash transactions, all other payments constitute digital transactions.

The digital revolution is taking the world by storm and no other area has witnessed a metamorphosis as has been seen in the payment and settlement arena, resulting in a myriad of payment options for the consumer. In the last 10 years, India has witnessed an exponential growth in payment systems and a significant shift in payment preference. The shift in payment preference in the last 10 years is evidenced by the fact that the volume of paper clearing, which comprised of 60% of total retail payments in the financial year (FY) 2010-11, shrunk to 3% in the FY 2019-20. This striking shift in payment preference has been due to the creation of robust electronic payment systems such as RTGS, NEFT and ECS that has facilitated seamless real time or near real time fund transfers. In addition, this decade has witnessed introduction of innovative payment systems that provide instant credit to the beneficiary, with the launch of fast payment systems such as IMPS and UPI that are available to consumers round the clock for undertaking fund transfers, and introduction of mobile based payment systems such as Bharat Bill Payment System (BBPS), PPIs to facilitate payment of bills and purchase of goods and services and National Electronic Toll Collection (NETC) to facilitate electronic toll payments. The convenience of these payment systems ensured rapid acceptance as they provided consumers an alternative to the use of cash and paper for making payments. The facilitation of non-bank FinTech firms in the payment ecosystem as PPI issuers, BBPOUs and third-party application providers in the UPI platform have furthered the adoption of digital payments in the country.

**Table 2**

**India's Payment Systems Data 2010-11, 2015-16 & 2019-20**

Items	Volume (Lakh)			Value (Rs.000 Crore)		
	2010-11	2015-16	2019-20	2010-11	2015-16	2019-20
Payment Systems						
1. Large Value Credit Transfers – RTGS	493	983	1507	48487	82457	131156
Retail Segment						
2. Credit & Debit Transfers	4064	31415	215619	1194	9140	29398
2.1 NEFT	1323	12529	27445	939	8327	22946

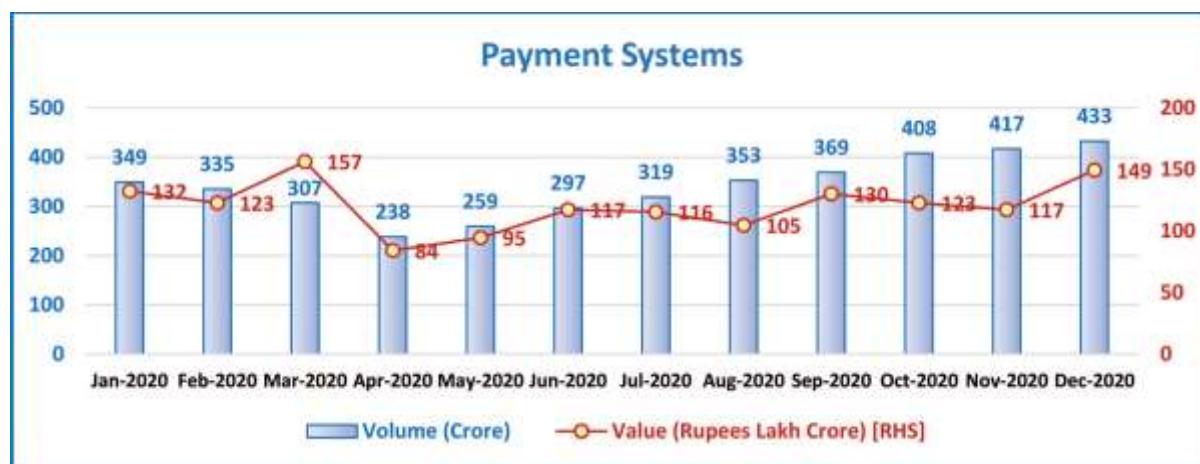
2.2 IMPS		2208	25792		162	2338
2.3 UPI			125186			2132
2.4 NACH		14041	36979		380	1976
2.5 ECS	2741	2638	19	255	271	5
2.6 Others			198			1
3. Card Payments	5022	19593	73013	114	399	1535
3.1 Credit Cards	2652	7857	21773	75	241	731
3.2 Debit Cards	2371	11736	51240	39	158	804
4. Prepaid payment Instruments		7480	53317		48	215
Total Digital Payments (1+2+3+4)	9579	59472	343456	49795	92046	162305

Source: Payment and Settlement Systems in India – RBI

### PAYMENT AND SETTLEMENTS IN PANDEMIC

In view of the situation arising out of COVID-19 in March 2020, a host of unprecedented measures were taken to ensure seamless and unhindered operation of not only centralised payment systems (RTGS and NEFT) but also payment systems operated by other operators, like IMPS, UPI, NACH, CTS, cards, etc. Coordinated efforts with Government, PSOs and Regulated Entities (REs), including banks and non-banks, ensured uninterrupted functioning of all PSS operating across the country. Further, certain relaxations were given to REs to allow them to cope-up with the restrictions in physical movement.

**Table 3**  
**Performance during the Pandemic**



Total Payments	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Volume	100	92	71	77	88	95	105	110	122	124	129
Value	100	127	68	77	96	94	85	106	100	96	122

Source: RBI Data

Note:

i. Feb 2020 figures are considered as the base (100).

ii. Months in green have Payment Volume / Value higher than the Pre-Covid-19 levels indicating recovery in Payment Systems.

RBI has also put in place a Standard Operating Procedure (SOP) to be followed when a bank is placed under All Inclusive Directions / or Moratorium so that payment systems can operate without any disruption. The SOP gets refined with every incident and is circulated amongst all the stakeholder departments in the Reserve Bank for co-ordinated and effective implementation in a seamless manner. The SOP was tested in the incident of March 2020 and modified with experience gained which ensured that payment systems operated smoothly after the November 2020 incident.

### SUBSCRIBERS BASE OF WIRELESS SERVICES IN INDIA

In India, the wireless subscriber base was 1180.96 million at the end of 31st March, 2021 in comparison to the subscriber base of 1157.75 million as on 31st March, 2020 registering an increase of 23.21 million subscribers during the financial year 2020-21.

As on 31 March, 2021, the Wireless rural [Mobile and WLL (F)] subscribers increased from 519.27 million as on 31 March, 2020 to 535.75 million at the end of 31 March, 2021. The share of rural subscribers is now 45.37% of total wireless subscribers. The rural wireless subscriber base since March, 2016 is indicated in Table 4. The service provider wise rural wireless subscriber base & their market shares are shown in Table 5.

**Table 4**

**Rural Wireless Subscriber Base Since March, 2016**

Year	Rural Wireless Subscribers (in million)
Mar.2016	444.84
Mar.2017	497.76
Mar.2018	521.23
Mar.2019	511.32
Mar.2020	519.27
Mar.2021	535.75

Source: TRAI Annual Report

**Table 5**

**Service Provider-wise Rural Wireless Subscribers and Market share**

S.No.	Wireless Group	Subscribers as on (in million)		Rural Subscribers as on (in million)		Market Share of Rural Subscribers	
		March 2021	March 2020	March 2021	March 2020	March 2021	March 2020
1.	RJIL	422.92	387.52	179.31	160.94	33.47%	29.98%
2.	Bharti Airtel	352.39	327.81	168.63	153.18	31.47%	28.67%



3.	Vodafone Idea	283.71*	319.17	149.93*	167.02	27.98%*	33.98%
4.	BSNL	118.63@	119.87	37.84	38.09	7.06%	7.36%
5.	MTNL	3.30	3.36	0.05	0.05	0.01%	0.01%
6.	RCL&	0.01	0.0178	0.00	0.00	0.00	-
7.	Tata^	-	-	-	-	-	-
	<b>Total</b>	<b>1180.96</b>	<b>1157.75</b>	<b>535.75</b>	<b>519.28</b>	<b>100.00</b>	<b>100.00</b>

Source: As provided by TSPs

Note:

(\*) M/s Vodafone and M/s Idea Cellular merged their commercial service w.e.f 31<sup>st</sup> Aug.2018.

(@) The HLR figure reported by M/s BSNL VNO's for Tamil Nadu Circle is included with BSNL GSM in Tamilnadu circle.

(&) M/s RCL / RTL have stopped providing retail services, however are continuing to provided B2B services.

(^) M/s TATA have merged with M/s Bharti Airtel w.e.f 6<sup>th</sup> Feb.2020.

## DIGITALISATION OF BANKING AND ITS ERADICATING POVERTY

The India of today is going full steam ahead towards a digital economy powered by financial inclusion, the mobile revolution, and Aadhaar. The biometric ID system that now covers 90 percent of its 1.3 billion population. And the social compact of the future will restructure subsidies and provide a basic income for the poor. Another aspect of the World Bank denotes pegged the poverty rate at 10% in April 2022. "The poverty headcount rate in India is estimated to have declined by 12.3% points since 2011. Our preferred estimates suggest that the poverty headcount rate is 10.2% in 2019, down from 22.5% in 2011.

The JAM (Jan Dhan Aadhaar Mobile) for linkage of "Jan Dhan" or financial inclusion, "Aadhar" identity cards and "Mobile" phones, and it starts with using digital technology to issue biometric-based unique identity cards, Aadhar, to more than one billion Indians. "More than 300 million bank accounts have been opened for the poor and marginalised and linked with access to smartphones these initiatives are bringing about a transformation." Jan Dhan has not only provided funds for further investment and income generation, but has also resulted in an increase in banking penetration with 85% of Indian citizens now having a bank account, compared to 45% in 2014. The total bank balance has amplified manifold, with 4,200 crore exponentially increasing to 78,500 crore in four years. These funds and greater access to them by financial institutions have resulted in, and can lead to, greater securitisation in the form of investment in insurance, debt, equity, commodities and deposit markets. Aadhaar based identity verification has facilitated the rise in bank accounts and their opening by making the KYC process easier and simpler.

## CONCLUSION

The banking industry has to be reaching a major milestone of customer base and the mode of digitalisation concept. Even, as per the data, 29,54 crore Jan Dhan accounts were held in rural and semi-urban bank branches. Nearly 24.61 crore account holder were women as of December 2021. During the first year of the scheme 17.90 crore PMJDY accounts were opened. The government's flagship scheme includes ensuring access to financial products and services at an affordable cost like as scholarships, subsidies, pensions and relief funds are credited to the bank accounts through Direct Benefit Transfer (DBT). It is one of the biggest reforms in independent India direct subsidy transfers to the poor (E.g) the PDS, the MGNREGA etc. Another aspect of digital transactions worth Rs.20,000 crore are taking place daily in our country. In March, the UPI transactions even reached Rs.10 lakh crore. This is not only increasing the facilities in the country but also encouraging an environment of honesty. Its indirectly enhancing the standard of living of the people and discriminates the poverty.

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