

## **Impact of Digitalization on Public v/s Private Sector Banks Pre - Post Covid-19 Stakes**

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**Abstract** – The digital India program is a very important program of the governments of India with a view of transforming India digitally in to society and knowledge economy through this program. Now the world is growing with more development as a modern culture which makes people to buy sell, and communicate etc. from one place to another. Besides this, modern culture is the advancement of technology and internet which has paved the way for digitization. In future digital banking is going to be mandatory to a great extent now. The proliferation of information technology and the digitalization of financial services have increased the number of theoretical questions. Due to this, change is accelerated by the impact of the covid-19 epidemic. The objective of this study is to know the growth of customers and revenues due to digitalization in the banking sector during the period of covid-19. Second objective is to identify the growth of digital banking. The purpose of this study data is to collect through secondary sources such as website of BSE, research paper, journal etc.

**Keyword:-**Digitalization, Covid-19, customer satisfaction, Revenue generation, Innovations.

**Introduction:-**Digitalization is a process of changing the business model. There is a use of digital technology to provide new revenue and value productive opportunities. It is a process of moving towards a digital business. One needs to know from digitalization what it is. How it affects an organization? How can this process improve income and make banks more effective and efficient? This is important as the strength of digitalization and its performance and quality of services for trusted customers. This is the spread of information technology and digital transformation of financial services. This is a series of theoretical ideas. A trend has arisen in the development of banking industry and the growth of banking demand and supply which accelerates the process in the industry. This proliferation is accelerated with the impact of the covid-19 pandemic. The objective of this study is also to know how much growth has been done in the revenue before and after covid-19 and the growth of customers. Second objective is to identify the growth of digital banking. We will then consider the challenges that banks face following covid-19 as well as covid-19 issues to manage the crises. To understand this IT integration process in the banking industry we will first examine IT in the technology development of banking and how much revenue has been increased before and after COVID. Though the technology will be seen how much customers have increased. After this we will do a comparative analysis of the services of private sector banks in public and see who has the best services? Finally we will consider the challenges of the banking business model in the covid-19 era and the claims that will be available after covid banks.

### **Information Technology in the Banking Technological trend.**

A new world is born with the emergence of new-2 technologies, new products and new problems. Faced with these changes, consumers are changing their preferences. New technology is produced to satisfy consumers. To understand the banking sector upheaval, it is necessary to study this context in which changes are taking place day by day and speed analysis will also be done.

### **The first wave of Technological Innovation**

This is the first wave by the banking industry when the telegraph was used in 1846. The first wave of technological innovation had limited impact on front office processes. This upsurge was mainly related to internal changes since the transactions between the banking institution and the customers. Initially the bank office was limited to limiting the balance sheet of checks and cash transaction. As the need for large mechanization gradually increased the volume of financial transaction of several machines at the bank office level improved the working conditions of the employees and increased branches. In fact in 1950 the use of machine was not so effective.

### **The second wave of Technological innovation**

This second wave lasted from the late 50s to the 80s. The purpose of this wave was to introduce IT in the financial sector to counter the increase in transaction volume. The first experience of using IT in the banking sector was in

1984 in the United States. The purpose of this ID was to reduce the cost of the works generated by the check. Thus the early 60s saw American and English banks setting up their first computer systems.

#### **The third wave of technological innovation**

It was during this period that banks and computers became the first consumers of application which had hitherto outperformed in the fields of transport etc. Since this third period investment in information technology has steadily increased, this period is characteristic of software development. This period is important for both subjects because this term gave rise to the term information technology. The ATM network evolved. Relationship between banks and customers was established.

#### **The fourth wave of technological innovation**

This fourth wave of technological innovation is at the heart of the offerings phase in online banking. This wave is characterized by rapid cost reduction in information technology. Electronic payment methods have been developed in this method. Initially banks started collecting information about customers by developing data bases. It allows customers to download software.

#### **Need and Progress of Digitalization**

Many commercial banks began to move towards the digital customers service to remain competitive in the race. The electronic transfer of funds has resulted in the interconnection between bank branches and the implementation of ATM. The Reserve Bank of India has taken strong initiatives to strengthen the payment and settlement system in banks. Now the Indian government is aggressively promoting digital transactions. The launch of united payment interface and BHIM by NPCI (National payment corporation of India) in digitalization is an important step for innovation in the payment systems domain. UPI is an interface where people can transfer funds between accounts in different banks on a virtual address basis without mentioning a bank account. Indian banks are now working hard to provide the following facilities to their customers to increase banking business, attract more customers, etc.

**1. Automatic Teller Machine(ATM) :-** ATM is the most popular device in India which allows customers to withdraw their money 24 hours 7 days a week. Along with the use of ATM cards, customers can carry out regular banking transactions without interacting with a human. Even without withdrawing cash, ATMs are used for transferring funds between accounts paying utility bills, depositing checks and cashing, balance inquiries etc.

**2. Telebanking:-** Telebanking provides customers the facility to carry out banking transactions related to cash phone.

**3. Electronic funds transfer (EFT) :-** Electronic Funds Transfer (EFT) is a system where anyone who wants to make payments to another person / company, etc. one can approach bank and make cash payments or give instructions to transfer funds directly from his/her account to the recipient / beneficiary's bank account. Full details such as the recipient's name, bank account number, type of account (savings or current account), bank name, city, branch name, etc. they must be provided to the bank at the moment of requesting such transfers so that the amount of the beneficiaries' account is correct and faster. RBI is the EFT service provider.

**4. National Electronic fund Transfer ( NEFT ) :-** Electronic fund transfer is a system that if any person wants to pay to any other company, then they can contact the bank and also make cash payment. If the recipient can direct the transfer of funds directly from his account. Full details of the beneficiary account such as recipient's name, bank account number, type of account, bank name, city, branch name etc. Should be provided to the banks while opposing the transfer.

**5. Real time gross settlement ( RTGS) :-** RTGS through which the bank gives electronic instructions for transferring funds from its account to another bank account. The RBI maintains and operates RTGS and provides a faster means of transferring funds between banks which facilitates financial operations.

**6. Point of sale terminal:-** It is a computer terminal connected with computerized files of customer information in the bank and a magnetically plastic transaction card that identifies customers with the computer.

#### **Literature Review**

This literature review is related to digitalization in the banking sector. In order to serve the purpose, researchers have gone through more research papers to know about the analytical future scenario.

**1. Ravi sharma et al.(2021), “Analysis of Consumers Perception Towards Digitalization in Banking Sector with special Reference of ICICI Bank”** As per the understanding the psychological behaviour of consumers towards digitalization in private sector banks. It was found that from the above analysis which was made on the basis of dimensions such as tangibility, reliability, Responsiveness, assurance, empathy, accuracy and security at 5% level of significance we conclude that there may be selective perception of consumer towards services provided by private banking sector in reference to ICICI Bank. and the objective, To understand the

psychological behaviour of consumers towards digitalization in private banking sector in reference to ICICI Bank was fulfilled in a positive manner to further give more wings to Digitalization.

2. **Gourab Das, Nishant Tiwari.(2020), “Impact of Digital Banking in Indian Banking Sector”** As per the to know the concept of digital India and impact of digitalization in banking sector. It was found that that peoples are now taking more and more advantages of the digitalization in case of banking practices. Earlier banks use to focus on pushing the product rather than satisfying customer but in recent times banks are very keen about their customer satisfaction.
3. **Mykhailo Krupka, Nataliya shulga et al.(2021),“The Level of Digital Transformation affecting the competitiveness of banks”** As per the digitalization level affecting the general competitiveness of banks and its components based on Ukrainian banks. It was concluded that the cluster and regression analysis, it can be considered proven that in the digital economy, The influence of Internet banking and mobile banking technologies initiates the transformation of competitive factors found in ensuring the banks’ competitive capacity through revolutionary changes from a traditional model to an online platform model with a wide outreach of customers and tools.
4. **Viknesh venkathailam, abdukadir shehu.(2017), “The Impact of Digitalization of Retail Banks in Malaysia on Customer Experience”** As per the this paper examines the drives of digital banking from the customer perception and impact of digitalization on customer experience.It was concluded that perceived usefulness of digital banking applications and platforms has negative influence ( $b=-0.042$ ) on customer experience. With a value of  $r>0.05$  rendering perceived usefulness to have insignificant impact on customer experience. where customer’s intent to use digital banking platform has negative influence and insignificant on customer experience.
5. **Angeliki Karagiannaki et al.(2017), “The Impact of Digital Transformation in the Financial Services Industry; Insights from an Open Innovation Initiative in fin-tech in Greece”**As per the benefits and challenges raised by the digital transformation in the well established sector of financial services. It was concluded that fin-tech in Greece is something relatively new. The country economic situation benefits the fin-tech movement according to the opinion of the most participants of our case study.
6. **Syrine Ben Romdhane.(2021), “ Impact of Information Technology and Digitalization on Banking Strategy Pre-Covid-19 Challenges in the Covid ERA and Post Covid Stakes”**As per the to analyze the impact of IT and digitalization on the financial strategy and functioning of the pre-COVID-19 banking sector. To study the challenges banks are facing in the COVID era in managing the crisis, and to highlight post-COVID stakes. It was concluded that aware of the importance of the digital transformation as a catalyst for growth and productivity, banks must thoroughly adapt their business model to the changes brought about by the internationalization of markets, the advent of digital distribution channels and the changes in consumer behavior in order to survive and remain competitive.
7. **Mrs. Manisha Vikas Jagtap.(2019),“The Impact of Digitalization Indian Banking Sector”** As per the impact of Digitalization in Indian Banking Sector. It was concluded that banking practice use to focus on ‘product push’ (increasing sales target) rather than understanding how best to delight its customers. It is crucial to ensure regulatory compliance for smooth and long term execution. The change to digitalization and the continuity of it should serve to reduce costs for the industry, since this will reduce labor and automate the system.
8. **Ary Bastari Anis Eliyana et al.(2020), “Digitalization in Banking Sector the role of Intrinsic Motivation”**As per the the impact of proposed model. It was found that the staff of bank kalsel staff have high intention to use digitalization conducted at bank kalsel can faster interest in continuing to particular to take part in a particular system.
9. **Alan Gelp, Anit Mukherjee et al.(2018), “Digital Governance in Developing Countries Beneficiary Experience and perceptions of system reforms in Rajasthan, India”** As per the impact of digitization reforms in Rajasthan. It was found that throw some light on the two cross cutting objectives of financial inclusion and gender empowerment. Virtually all respondents have bank accounts , often two or more per family, as do all bhamashah head of household. Two third of these woman had not owned bank account before the reform.
10. **Dr.Asif perwej.(2020), “The Impact of Pandemic covid-19 on the Indian Banking System”** As per the to demonstrate the impact of pandemic covid-19 on the banking and financial sector. It was concluded that the immediate learning from the current covid-19 situation will add the much needed rigor digitizing and

optimizing the bank's backend operations. Indian banks (both public and private) which are already online with some core banking functions will focus on a complete transition by digitization of all their function, processes and system.

**Objectives**

1. To find of the study increase no. of customers and revenue due to digitalization in Covid period in banking sector.
2. To identify the growth of digital banking..

**Data and Methodology**

In this research secondary sources of data will be used. The paper performs an extensive research on the basis of the data and information obtained from secondary sources. It involves the use of journal, research paper, various report of RBI, and authenticate bank website and online resources etc. For the collection of secondary data needed in the analysis.

**Result**

**(Top Private sector banks) (in Cr.)**

| <b>Banks name</b> | <b>Market Capitalization</b> |
|-------------------|------------------------------|
| HDFC bank         | 779,010.44                   |
| ICICI Bank        | 412,924.29                   |
| Kotak Mahindra    | 341,727.92                   |
| Axis Bank         | 215,384.67                   |
| Bandhan Bank      | 706,86.23                    |

**Top ( Public Sector Banks) (in Cr.)**

| <b>Banks Name</b> | <b>Market Capitalization</b> |
|-------------------|------------------------------|
| SBI Bank          | 312,763.01                   |
| PNB Bank          | 36148.00                     |
| Bank of Baroda    | 34492.99                     |
| IOB               | 25559.52                     |
| Canara Bank       | 22840.26                     |

Now first we have taken the top five public and top private five sector banks only on the basis of market capitalization. Now we will see the revenue generation of these top private and public sector banks.

**Revenue Generation**

**Private sector banks (figure in million)**

| <b>1. HDFC Bank</b> | <b>Figures as at the end of current reporting period</b> | <b>Figures as at the end of the previous reporting period</b> |
|---------------------|--|---|
| <b>2019</b>         | <b>202854.70</b>   | <b>134874.40</b>  |
| <b>2020</b>         | <b>117070.00</b>   | <b>117279.60</b>  |

|                         |                            |                            |                            |
|-------------------------|----------------------------|----------------------------|----------------------------|
| <b>2. ICICI Bank</b>    | <b>(2021)<br/>79118.27</b> | <b>(2020)<br/>74798.32</b> | <b>(2019)<br/>63401.19</b> |
| <b>3.kotak Mahindra</b> | <b>(2021)<br/>26840.28</b> | <b>(2020)<br/>26929.61</b> | <b>(2019)<br/>23943.21</b> |
| <b>4.Axis Bank</b>      | <b>(2021)<br/>63645.29</b> | <b>(2020)<br/>62635.16</b> | <b>(2019)<br/>54985.77</b> |
| <b>5.Bandhan Bank</b>   | <b>(2020)<br/>10885.49</b> | <b>(2019)<br/>6644.05</b>  | <b>(2018)<br/>4802.30</b>  |

| <b>Public Sector Banks</b> |                            | <b>(Figure in million)</b> |                            |
|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>SBI</b>                 | (2020)<br><b>257323.59</b> | (2019)<br><b>242868.65</b> | (2018)<br><b>220499.31</b> |
| <b>PNB</b>                 | (2020)<br><b>3229.90</b>   | (2019)<br><b>2166.71</b>   | NA                         |
| <b>BOB</b>                 | (2020)<br><b>75983.65</b>  | (2019)<br><b>49974.11</b>  | (2018)<br><b>43648.54</b>  |
| <b>IOB</b>                 | (2020)<br><b>1407.18</b>   | (2019)<br><b>1102.34</b>   | (2018)<br><b>994.25</b>    |
| <b>Canara Bank</b>         | (2020)<br><b>48934.99</b>  | (2019)<br><b>46810.34</b>  | (2018)<br><b>41252.09</b>  |

| <b>Digital Growth in India (Number of users in million)</b> |             |             |
|---|-------------|-------------|
|   | <b>2018</b> | <b>2019</b> |
| Active Internet Users                                       | 462         | 672         |
| Activate Mobile Internet Users                              | 430.3       | 587         |
| Active Social media   | 250         | 560         |
| Active Mobile Social Media                                  | 230         | 457         |

| <b>Current status in the digital Banking</b> |             |   |                                   |
|--|-------------|---|-----------------------------------|
| <b>Year</b>                                  | <b>RTGS</b> | <b>Retail Electronic Clearing (ECS,NEFT,IMPS)</b> | <b>Prepaid Payment Instrument</b> |
| 2017-18                                      | 124.4       | 6382.4  | 3459.0                            |
| 2018-19                                      | 142.8       | 7212.6  | 4912.2                            |

| <b>Technological Achievements (History)</b> |                          |                  |                  |
|---|--------------------------|------------------|------------------|
| <b>1980-90</b>                              | <b>1991-2000</b>         | <b>2001-2010</b> | <b>2010-2020</b> |
| MICR  | ATM                      | IMPS RTGS        | Bio-metrics      |
| Cheque                                      | Electronic funds         | NEFT             | Mobile Banking   |
| Endorsement                                 | Transfer computerization | Online Banking   | UPI, Wallet      |

Tables are showing that HDFC has the highest market capitalization of 779,010.44 (Cr.) in the top five private sector banks and SBI has a market capitalization of 312,763.01(Cr.) the top five public sector banks. This revenue generation 117070.00 (million) of HDFC and revenue generation 257323.59 (million) of SBI. Digital growth in India has increased the number of users in 2019. Current status of digital banking has increased in 2018-19. Technology achievement has increased in technology from 1980-2020.

### **Conclusion**

The birth of information technology has drastically changed the functioning and strategies of the banking sector from 1980 to 2020. Mainly financial services have completely changed the business from being digital. It has also led to a change in the relationship between banks and customer. There is a change in the business model of banks due to the current epidemic like covid-19. Hence the emergence of new challenge ;succeeding in innovation by combining the best of the human and digital words. Digitization is good for banks that are always trying to reduce risk. Banks are considering new ways to provider a best customer experience and remain competitive through digital banking itself. The conclusion shows that despite having SBI bank in the top private sector banks have higher revenue generate in covid period. The number of active users is large in 2019. New technologies have evolved in current status digital banking from 1980 to 2020. With the help of digital banking one does not have to depend on bank operations. Errors are less and able to increase customer satisfaction. More open dealing and more digital services will free banks from incoming organizations because they already have strategic plans.

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