



## A Literature Review of Digitalization of the Banking Industry

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### ABSTRACT

*The development of information and communication technologies made modern payment methods possible. People's lives were made easier by the proliferation of smartphones and internet access, which also ushered in the age of digitalization. In addition to enhancing trade and commerce, digitalization also made smooth and quick money transactions. The entire research is based on an examination of the writings of many authors in the field. It discusses several forms of digital payments, the reasons why they are being used, how often it's being used, how will digital payments develop over the next few years, etc. It is also a fantastic approach to make the Indian government's Digital India initiative a successful program and turn our nation into a cashless economy. Following demonetization, there was an increase in digital payments, which paved the way for several digital wallets to enter India and enjoy long-term success. This study aims to identify the factors that various authors have considered when determining why people have adopted digital payments.*

**Keywords:** Digital Payments, Digital Technology, Internet Connectivity, cashless economy.

### Introduction

The development of information and communication technology has significantly altered people's way of life. Information and Communication Technologies and digitalization have facilitated significant developments in industries like finance, marketing, operations management, and economics (Slozko & Pelo, 2015). There were many changes in the world when Information and Communication Technologies, innovation, and the digital era accelerated because commercial transactions switched from cash to digital (Ahmad, Haroon, and Najiran 2009). The introduction of technological advancement in global commerce has made it difficult for practically all businesses to switch from cash to digital payments. Digital payments are platforms that are used to conduct financial transactions for a variety of goods and services bought online. (Roy & Sinha, 2014).

The development of digital payment systems forced the global payment system to change its mode of payment to be compatible with the most recent or current payment technology for individuals, groups, corporations, governments, etc. (Odi & Richard, 2013). People throughout the world have been compelled to switch from paper money and coins to the digital payment system since it is much faster, more convenient, and advantageous for both individuals and businesses. (Premchand & Choudhury, 2015). Additionally, the use of digital or e-payment systems allows numerous financial institutions to offer simple services to their consumers such as debit cards, credit cards, net banking, etc. (Premchand & Choudhury, 2015). The popularity of this method of payment has greatly increased in recent years. (Balogun, 2012). Information and Communication Technology is attempting to reduce this fear of security, which is the only worry that users and experts have about this payment system despite the convenience and benefits of digital payments, which are still widely recognized. (Khairun & Yasmin, 2010).

### Definitions

**1. UPI** - The mobile app's payment method for making fund transfers is called the Unified Payment Interface (UPI). Using UPI apps, money can be moved between two accounts. To use UPI apps, a registered mobile banking facility is required. UPI ID can be created by downloading a UPI app. There are many excellent UPI apps available, including BHIM, SBI UPI, HDFC UPI, and PhonePe, among others. The UPI service is available without using the UPI app from a certain bank. Any UPI app can be downloaded and used by and bank account holder.

**2. Plastic Cards** - Plastic Cards are the cards that banks offer to account holders so that they can make withdrawals from any ATM by using their password. To save paper waste, these cards are also used to deposit money into the bank account. Debit and credit cards are the two types of cards that banks issues to their customers. Credit cards are only issued to a few selected customers based on their interests, whereas debit cards are issued to every account holder.

**3. Mobile wallet** - It is an alternative method of carrying cash. The cash is stored in digital format. Any individual can link their mobile phone to a **digital wallet** to load money in it. An individual can also link their plastic card information through a mobile device to a mobile wallet application or can transfer money online to a mobile wallet. Mobile wallet users can pay with their smartphones instead of using their physical plastic cards to make purchases.

**4. Internet banking** - The National Electronic Fund Transfer (NEFT), Real Time Gross Settlement (RTGS), Electronic Clearing System (ECS), and Immediate Payment Service (IMPS) are some of the different types of online banking methods. These are electronic banking systems that let people or businesses send money using the banks' websites without visiting the bank's branches.

Here only a few of the most well-known methods of digital payment accessible in India and around the world are discussed. However, there are numerous additional digital payment options offered in our nation and around the world.

#### Objective of the study

- To study the impact of digitization on the Banking sector in India.
- To study the role of digital transactions in the Indian banking industry.
- To understand the limitations and challenges of digital banking.

#### Data collection

The data was gathered from secondary sources such as several previous research papers, banking websites, RBI Bulletins, and the Indian Banking structure.

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### Review of Literature

**Shivathanu B. (2019)** In his study, the author placed special emphasis on how individuals used or embraced the digital payment system during this time. The sample size was 766, and it was based on a conceptual framework. The data analysis of the study revealed that the actual usage was influenced by behavioral intentions and resistance to innovation.

**Pushpa S. Abbigeri and Rajeshwari M. Shettar (2018)** In this study the author discussed about how a significant number of individuals were drawn to the Digital India flagship program. People began utilizing digital wallets because there were many cash-back offers and coupons. Numerous mobile wallet businesses entered India following the launch of the digital India flagship program, and the use of alternative methods like NEFT, RTGS, and UPI also increased. People embraced the government's and RBI's initiatives because they were employing these strategies.

**Baghla. A (2018)** In this study the author identified the patterns for India's adoption of the digital payment system. The report also discusses how people began using digital platforms for money transactions following the demonetization of currency. The study also provides information on the government initiative to make the Indian economy cashless and how consumers would adopt this system. Data was gathered using a structured questionnaire to determine the future of the digital payment system in India.

**Pandey & Rathore (2018)** In this study the authors explored the impact of the digital payment system. Because of modernization and globalization, individuals need to embrace contemporary payment methods. The analysis of this study is based on secondary data, which includes a variety of sources, such as government data and past research literature. The impact and uptake of digital payments by people have been determined after analysis of all collected data.

**Singh and Rana (2017)** In this study the author demonstrated on how demonetization helped digital wallets and digital payments become more common in India. People found it easier to utilize the internet as a substitute for cash because there was a significant increase in internet usage and the number of smartphone users. The author also highlighted how several digital wallet companies were competing to access and grow the Indian market, as it was the biggest opportunity for them to create their own businesses. It was also projected that India would eventually changeover to a cashless economy, and that as a result of digitalization, individuals would undoubtedly start using digital methods of payment. In this study, ANOVA was employed to demonstrate that there is no appreciable variation in consumer perception with regard to demographic characteristics.

**Priyadarsini, K., & Vijayaratnam, N. (2016)** In this study the authors talked about the nine pillars of Digital India, how the "look at villages" policy was modified, how smart villages are advancing the cause of a smart India, and what is needed to create a cluster of smart villages. Indian villages should prioritise additional necessities including education, health care, and mental stability was the major finding of this study.

**Midha, R. (2016)** In this study the author concentrated on solutions and obstacles to stop the problems that the Indian population faces. There were other pillars, vision, and scope listed. The study also covered how enhancing the quality of life of citizens can be achieved by making government services electronically accessible to everybody.

**Sanaz Zarrin Kafsh (2015)** In this study the author conducted a study on "Developing Consumer Adoption Model on Mobile Wallets in Canada"; 530 respondents were chosen for the convenience sample, and the partial least squares model was then applied to test the data. According to the study, the acceptance of digital payments can be predicted based on perceptions of usage, convenience of use, and security.

**Dennehy & Sammon (2015)** In this study the author has examined the evolution of digital payment usage in the 21st century. The primary objective of the study was to determine where the digital payment system would stand in the future. To ascertain the opinions on the digital payment system, many

previous publications have been analyzed. The goal of technological innovation was to familiarise individuals with digital payment because technology has been evolving quickly over time. The retailers have a new platform to make investments in order to serve the customers.

**Nitsure (2014)** In this study the author highlighted the difficulties faced by the users using the e-payment system in developing nations like India, which were brought on by the lack of widespread internet and technological use. The article concentrated on important problems faced by the users including security, regulations, etc. The author concluded that in a nation like India, there is a significant risk that the underprivileged population will not have the opportunity to learn about or receive any such information.

**Rakesh H M & Ramya T J (2014)** In this study the authors examined the elements that led to the acceptance of Internet banking in a country like India. The key drivers behind the adoption or use of Internet banking were discovered to be perceived dependability, perceived usability, and perceived simplicity.

**Sanghita Roy, Dr. Indrajit Sinha (2014)** In this study the authors mentioned about the use of digitalized payment which has suddenly increased in India. However, approximately 90% of transactions are still made using paper money. The TAM (Technology Acceptance Model) was employed in this study to identify the elements that are strengthening the e-payment system. These elements include innovation, incentives, the regulatory environment, and customer convenience.

**Singh A et.al (2012)** In this study the author mentioned how secure the internet network needs to be to ensure a smooth transaction for all parties and businesses concerned. The mechanisms are designed in such a way that no fraudulent activity can occur and that users can use their cards securely for transactions without sharing any personal information. People mostly do digital transactions for e-commerce, yet they believe that the internet is unsafe for such activity. Therefore, it is necessary to maintain and adhere to some tight protocols to ensure that transactions are secure and that data is protected.

**Oladejo, Morufu et.al (2012)** In this study the authors looked at how Nigeria's e-payment system could be improved. They looked into the factors that led people to adopt the electronic payment system. To gather the data for analysis, a structured questionnaire and some financial statements were used. The outcomes were such that when banks embraced e-payment systems, their level of performance changed. The use of ATMs increased with the introduction of e-payment systems.

**Kevin Foster, Scott Schuh, and Hanbing Zhang (2011)** In this study the authors looked at consumer payment methods for cash holdings and withdrawals, which have been declining since 2010. In contrast to 2009, there was an increase in card payment systems in 2010, which led to a decrease in the use of paper money. Since 2010, there has been an increase in the use of debit and credit cards as opposed to cash transactions, which gradually declined and gave rise to prepaid payments.

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## Discussions

We all know how valuable time is, hence the most significant role played by the digital payment system is that it saves time and is far safer than handling cash. If we consider this method of payment, the precise amount of payment can be made without any botheration about the availability of change.

The research from many articles reveals that using digital currency is much more practical than using traditional paper money. This method of payment is accessible everywhere around the clock. Anyone with access to the internet can do this type of payment transaction; there is no need to stand in a queue or visit a bank.

Therefore, the reviewed research articles are a global compilation of the opinions expressed by the authors, with the majority of the analysis based on data gathered from customers, businesses, organizations, etc. The authors have evaluated and interpreted the data based on their collection of data and the application of a variety of statistical tests. The majority of the literature indicates that consumers are adopting and accepting digital payment systems because they are easy and simple to use. Some claim that people do so because they can save time and money by using rewards or cash back, whereas some others claim that it is a speedier method of transaction.

In a nation like India, where paper currency was in short supply and people wanted to save time, it has also been observed that the demonetization process had a significant impact. A significant portion of India's population began utilizing the digital payment system. The government launched a campaign to make India a cashless economy, which had some positive effects after demonetization.

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## Conclusion

The government of India's initiative to create a digital India has resulted in the rise in smartphone sales and the availability of high-speed, reasonably priced Internet connectivity are the key factor in the adoption of the digital payment system by consumers because they allow for the convenience of doing transactions at our fingertips and eliminate the need for physical travel. In addition to helping individuals make and receive payments, digital payments also perform a variety of other functions, such as providing reminders about upcoming payments and saving a significant amount of time and money. There will likely be more increases in the use of digital payment methods in the near future, and the goal of "Digital India" will undoubtedly be very successful.

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