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Issues Faced ByDeveloping Economies in Digital Banking

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ABSTRACT: *The study examined how to control the threat of digital banking and its effects on emerging markets. The goals were to identify the infrastructure issues with digital banking, identify the legal and security issues with it, and assess how client's exposure and literacy to digital banking faces challenges posed by computers and information technology. The research used content analysis which is a review of the literature to derive conclusions about the study. The results showed that the majority of the banks are offering services on the internet via their websites and apps, with a focus on achieving digital transformation. Additionally, it was revealed that the main danger to digital banking is the instance of online thieves and fraudsters seeking to steal consumers' data i.e. phishing and pharming. More specifically, it was demonstrated that the challenge of digital banking is that it is frequently inaccessible to e-banking due to poor internet connections, customer resistance to new technology, low educational level, poor computer literacy, and effective use of internet services; language, cultural, and logistical challenges, diverse laws, and client information overload. In light of this, it was recommended that e-banking services and products, their marketing and education should be stepped up to attract more clients. Additionally, regulatory agencies like the Reserve Bank of India must strictly enforce the new norms and regulations on the fees for electronic transactions, which will encourage users to use ATMs.*
KEYWORDS: *Digital Banking, Automated Teller Machines, banking industry, Internet banking, electronic Banking, e-transaction.*

I. INTRODUCTION

The majority of developing nations have cash-based economies, which means that most financial transactions involve exchanging banknotes and coins for goods and services. However, a cutting-edge payment system is now taking place of this, where currency and notes are transformed to data which are then relayed via satellite transponders and telephone connections. This is due to the rapid advancement in financial market practices and technology(Alabar, 2012). . Digital banking distinguishes itself from traditional banking operations by enabling faster information transmission from both the consumer and the service provider end. Instead of regular currency i.e. notes and coins, monetary power is stored in form of information in a chewue, a credit card, or an electronic device. Consequently, digital banking has emerged as a key avenue for the sale of goods and services, bringing about a remarkable change in market practices. (Allen & Hamilton, 2011).

Since the middle of the 1990s, the banking sector has went through a lot of changes as a result of use of creative use and advancement of information technology and internet. Though e-commerce is still evolving rapidly, this shift towards digital banking poses a challenge to the traditional banking operations.(Alma Zari& Siam, 2018). They have further explained that banks havebeen practicing various ways of leveraging technology to improve their products, services, and effectiveness. Banks have been employing electronic and telecommunications networks to supply a wide range services to the customers. They havedirect dial-up connections, private networks, and public networks as their distribution channels. They have been providing their services through the use of computers, telephones, and automated teller machines (ATMs).With the availability of personal computers and advanced mobile devices, such as iPhones and androids, the access to Internet and World Wide Web (WWW) has become simpler (Amor, 2010). When banks use Internet to deliver goods and services to it's customers, and get instructions from them, it is referred as Digital banking. In India, most financial institutions now use digital banking.Banks are one of the those however the services and products they offer vary greatly from one anotherboth in their sophistication and content from one bank to the next.When considering the services and products offered by the banks, digital banking is nothing but these banking services and products delivered via internet. However, in its adaptation, it has exposed problems with implications that go beyond what a new delivery channel would typically anticipate, which has forced banking regulators across the world to take a view of it.

Digital banking has some distinctive characteristics, such as it grants access to customers in irrespective of their geographical location, which eliminates traditional geographic constraints and legal jurisdictions. This has prompted discussion about the legal and regulatory framework to which such transactions should be subjected. It has also included some new addition to several dangers already associated with the traditional banking industry,posing fresh risks to risk management. The Internet being a public realm and not under the control of a single entity, thesecurity of transactions, validity of e-contracts and the privacy of customers have beensubjects of concern. The strategic risk of losing business to those banks who do not act quickly to take advantage of this new technology's efficient and affordable delivery is also there. The threat posed by digital banking and its effects on developing countries will be examined in this study.

II. STATEMENT OF THE PROBLEM

The influence of the internet on businesses results in daily changes. Recent advancements in information technology have had a significant impact in the form of development of more adaptable payment methods, user-friendly banking services, and banking systems with greater utility and success. Although the transaction is quicker and more convenient with digital banking, although some banks haven't adopted it fully. The banks which have adopted the digital mode of banking have encountered a number ofbarriers that made study to identify the problems with digital banking and ascertain their solutions necessary. The adoption of online banking is increasing day by day. This provides opportunities toIndian banks to increase their market share, gain a competitive advantage, and boost their profitability. However, there are significant difficulties connected withOnline banking. Due to these difficulties, many bank clients still prefer visiting their local branchesInstead of making use of these resources.

III. OBEJCTIVES OF THE STUDY

The main objectives of the study are to:

1. Identify infrastructural issues with digital banking;
2. Ascertain the legal and security issues with digital banking.
3. To assess the impact that customers' knowledge about computers and information technologypose a threat to digital banking

IV. THEORETICAL FRAMEWORK

Concept of Digital Banking

Customers' accounts can be electronically credited within 24 hours thanks to digital banking, a payment system that is focused on electronic transactions. It is the ability of purchasing and sell products and services electronically. It makes online shopping possible. It is a crucial component of e-commerce and a foundational component of e-commerce models.The quick development and adoption of digital banking may be one of the main factors contributing to the widespread use of e-commerce (Anderson, 2018).Digital banking is a financial transaction that occurs betweenpurchasers and vendors over internet. Typically, this exchange consists of some type of digital financial instrument that is backed by a bank, financial intermediary or government such as Electronicccheques, encrypted credit card numbers, or digital cash.According to Gbadeyan and Akinyosoye (2011), the different elements that have influenced the use of digital banking are-

- Reducing cost of technology: The technology used in networks is getting cheaper every day, which isClear from the fact that Internet access is practically available everywhere these days.
- Reduced process costs: As technology costs fall, many commercial activities' processing costs drop dramatically. The fact that we save time and paper in electronic transactions is a pretty way to demonstrate this.
- Growing online commerce: Digital banking systems are numerous, and Four categories can be used to group or classify these systems:

1. A credit card payment system
2. Electronic chequesystem
3. Smart card-based digital banking systems; and
4. electronic cash systems.

According to Babalola (2009), using a personal computer (PC) or mobile phone and a web browser, a customer can access their bank account on the Internet using digital banking.Hecontinued that a digital banking system is a type of banking that enables users to access and conduct financial transactions on their web-enabled computer with an Internet connection and a bank's website, anytime and from anywhere. Using digital banking services, customers can avail various services including transfers and payments, access to the most recent balance, statement viewing, account detail viewing, customization, printing and downloading statements for all accounts connected to bank clients.

David (2018) defines digital banking as a system that allows users of financial institutions, whether they are people or businesses, to access accounts, conduct business, or get information about financial products and services over a public or private network, including the Internet.It is through that method that the customer can access, control and use his or her account online. Since the middle of the 1990s, there has been a significant change in shifting banking delivery methods to self-service platforms like digital banking, namely the use ofATMs and online banking.

Denny (2018) characterises digital banking as an online channel via which users can access a variety of banking services, from investing to paying bills. Customers have access to practically any form of transaction through digital banking, except the cash withdrawl just with a mouse click. According to a study by DeYoung (2017),the development of digital banking can be analysed within a five-stage conceptual framework, where the extent of service provided through the internet starts from a promotional stage and extends to a transaction-enabled business innovation stage in which institutions redesignedtheir productsand services that are highly customised and integrate their value chain.According to Gbadeyan and Akinyosoye (2011) customers want ease, transactional efficiency, and a variety of options in essential banking products, and access to competitive returns and costs.

Impact of Digital Banking OnThe Economy

With the onset of globalisation and fiercer competition, using the internet as a new alternative channel for the distribution of financial services has in fact become a competitive necessity rather than merely a technique to acquire competitive advantage. According to Ghosh (2017), digital banking makes it easier for users toexecute transactions and manage their accounts anytime electronically by using bank website. Individuals and businesses can save a tonne of time and money by using this facility.Almazari and Siam (2018) concur that electronic services help to reduce expenses, boost profits and the efficiency of the banks. This displays the obvious correlation between the growing need from clients to cut costs, time, and between digital banking.

According to Gbadeyan and Akinyosoye (2011), use of digital banking has many advantages, some of which are: there are no geographical restrictions; it is easier to use; services are provided at a low cost; it has changed traditional banking practises; and it is the only way to stay connected to the customers at any timeusing internet; The information to consumer and service provider is delivered more quickly; clients choose to use e-banking because it reduces transaction costs, saves time, and allows for the usage of innovative products or services, tackles queue management, one of the crucial aspects of the quality of the e-banking service.

Amor (2010) concurs that customers can help themselves by using the internet services in a variety of ways, including by viewing their account information, reviewing their account histories, making payments and transferring funds, and placing and amending orders, pay utility bills, activate or replace credit cards, cash checks, apply for loans online, and pay utility billsand contact the customer service division.

Gbadeyan&Akinyosoye's (2011)) explained the numerous benefits to customers by digital banking services

1. The main benefit from the bank customers' point of view is the significant time savings by theautomation of banking services processing and introduction of an easy maintenance tools for managing customer's money.
2. Lower fees for utilising and obtaining banking services.
3. Greater convenience and time savings – transactions can be completed without visiting a bank.
4. Constant and quick access to information
5. Digital banking tools hasten the cash cycle and boost business productivity.

Major issues with digital banking were recognised by Gbadeyan and Akinyosoye (2011), some of which are as follows: the case of cyber criminals and fraudsters trying to steal consumer information through a variety of ways such as pharming and phishing. In other words, there is more worry about client security and privacy due to the vulnerability of information obtained, stored, and transmitted electronically. Additionally, Howcroft, Hamilton, and Hewer (2002) concur that using digital banking, it is very simple for thieves to conceal their activity due to a bad internet connection, a customer's resistance to new technology, a lack of knowledge about computer and internet, cultural, and logistical hurdles; illogical laws and information overload, Lower prices, followed by less paperwork and human error, are found to be the main motivators for customers to use online banking. According to Nancy (2001), users complain that logon times for computers are frequently longer than those for phone calls. Additionally, clients are concerned about making mistakes also. According to Ladejo&Akanbi (2012), the absence of precise legislation governing Internet banking as a serious problem to both customers and bankers. This pertains to concerns like unlawful supplier behaviour and unfair and deceptive business practises and hackers can also have access to the informationwhich may lead to an upsurge in corrupt behaviour (Umana, Okafor,Djobissie&Ogar, 2019)

Inadequate ICT infrastructure, inadequate funding, a lack of appropriate legal and regulatory framework, high costs for bandwidth, phone lines, and internet access, service inter-exchange congestion, and slow internet connectivity were all cited by Ikechukwu (2010) as the main obstacles to internet banking in India.

Due to Inadequate ICT infrastructure, inadequate funding, a lack of appropriate legal and regulatory framework, high costs for bandwidth, phone lines, and internet access, service inter-exchange congestion, and slow internet connectivity, exorbitant international trade fees, unforeseen system failure, complacency/illiteracy, and security were all cited by Ikechukwu (2010) as the main obstacles to internet banking in the developing economies like India.Other challenges faced by digital banking are-

1. Insufficient investment capital

Financial resources that can be used to upgrade current systems and purchase new information technologies are typically short in supply. There are several contemporary banking programmes in use, but there is also an integrated banking system, which has seen continuous product development advancements. Specifically, the speed at which payments are made and received internationally has greatly increased. (International money transfer)

2. Reduction in employment nationwide

Currently, most tasks that should be performed by humans are instead completed by machines, which has and reduced the country's employment rate and resulted in high unemployment rate nationwide.

3. Promotes aggressive withdrawal

Customers can go and withdraw money on days when banks are closed, such as weekends and festivals using an ATM machine nearby to withdraw cash for extravagant spending.

V. CONCLUSION

Based on the study's findings, it was determined that the majority of banks offer services online via their websites and that more focus is being placed on achieving digital banking as a means of meeting and satisfying consumers' needs. Additionally, it was determined that the internet has altered the scope of competition in the area of retail banking. Emerging nations now have possibilities to strengthen their financial systems infrastructure.

It was also determined that the biggest threat to digital banking in developing nations is the instance that internet thieves and fraudsters use a variety of techniques to steal customers' information, includingi.e.pharming and phishing.The challenge of frequent e-banking inaccessibility due to poor internet connections, customers' resistance to new technology, low educational levels, poor computer literacy, and effective use of internet services; as well as language, cultural, and other barriers, logistical challenges, diverse laws, and client information overload was further concluded to be the major problems for digital banking. Lastly, it was observed that lack of precise legislation governing online banking is a big issue for both the government and consumers, and it hinders digital banking for both the customers and bankers. This also relates to concerns like the supplier's unfair and deceptive business practises andand unauthorized access to hackers.

Suggestions from the study-

To assist in reducing the threat posed by digital banking, the following suggestions were made:

1. The banks should provide more ATMs, and they should be located in convenient areas of the city to cut down on travel time and distance.
2. The efforts on E-banking services and productts should be stepped up to draw in more customers.
3. In order to combat risks and insecurity posed to the internet, the bank should give the required legal code backing.
4. In order to encourage customers to use ATMs, regulatory bodies like the Reserve Bank of India must properly implement the new regulations and policy regarding the fees for electronic transactions.
5. To prevent fraud, customers should be able to protect themselves by supplying strong passwords.

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