

IMPACT OF ACCEPTANCE OF DIGITAL BANKING ON ECONOMIC DEVELOPMENT OF INDIA DURING COVID-19: AN ANALYSIS

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Abstract

A shift of viewpoint regarding internet services has taken place over the course of a considerable amount of time and has developed gradually over the same. Internet services, which were once regarded to be a luxury commodity, are now widely recognized as being among the fundamental requirements for leading a normal life. On the other side, ever since the beginning of the COVID-19 outbreak, technology has shifted from being a luxury product to a need. This change occurred over the course of the epidemic. It is presently the driving force behind our day-to-day activities, and everyone is required to connect with online services and learn how to make use of them, despite the fact that they will eventually have the option to disregard these technologies at some time in the future. At the same time, both individuals and institutions are finding themselves under an increasing degree of strain and have a responsibility to educate themselves on how to make use of online services and to incorporate online services into the delivery of their own services, respectively. In addition, in order for governments to provide their population with access to internet services and ensure that they satisfy the requirements, it is now an imperative necessity for such nations to construct the essential infrastructure. This is especially true for nations that are still in the process of developing. The usage of digital banking provides a solution that may be accomplished in a single step to a range of financial needs. These needs may include, amongst others, cash deposits, cash withdrawals, and money transfers.

KEYWORDS: COVID-19, Customers, Digital Banking, Economic Development, Gross Domestic Product

INTRODUCTION: The COVID-19 pandemic changed how people and businesses handle money. Digital banking became really important during this time because it helped keep the economy going, especially in India where COVID-19 affected many parts of the economy. This research study examines the impact of digital banking during COVID-19 on India's GDP. When COVID-19 hit, many traditional banks had to close branches which meant people couldn't go to the bank like before. So, they started using digital banking more to do things like pay bills, transfer money, and get loans online. Using digital banking a lot during COVID-19 had a big impact on India's GDP. The effects it had on the nation's income, labour force participation, and banking service accessibility are examined in this research study. In order to understand how digital banking benefited India's economy throughout the epidemic, we'll examine data, instances, and expert commentary. Digital banking can make things easier and cheaper. It can help businesses grow and make the economy stronger. It also helps more people get access to banking services, which can boost spending and investment. But there are also problems with digital banking. Things like cyber-attacks, privacy issues, and not everyone knowing how to use digital banking can make it hard for everyone to benefit from it. So, we'll also talk about what rules and policies can help fix these problems and make digital banking work better for India's economy. This research paper explained how digital banking during COVID-19 affected India's GDP. By understanding how digital banking helped the economy, we can learn how to make it work even better in the future. This will help policymakers, banks, and everyone else involved in making decisions about digital banking in India.

It is very important for companies and organizations that use online services to save money to establish a competitive advantage in a way that is in accordance with the needs and preferences of their customers. This is especially true for businesses that are in the service industry. Banks are one example of the kinds of organizations that have come to terms with the idea of using internet services in order to carry out their operations. It has been demonstrated to the banking industry that the use of online services has the potential to increase both client retention and market share. One of the primary benefits of utilizing internet services is that they enable businesses to save costs while simultaneously meeting the demands and satisfying the inclinations of customers.

The usage of digital banking provides a solution that may be accomplished in a single step to a range of financial needs. These needs may include, amongst others, cash deposits, cash withdrawals, and money transfers. In place of physical receipts, digital records of each transaction are kept in an economy that does not employ cash. The use of digital tools to

perform commercial transactions has led to an increase in openness and accountability throughout the process. This is due to the increased transparency made possible by these techniques. There are many kinds of digital payments, some examples of which are mobile wallets, plastic money in the form of debit and credit cards, and internet banking. Mobile wallets, also known as digital wallets, are essentially similar to physical wallets that can be saved on a mobile device. The usage of debit and credit cards, in addition to online banking, is supported by these wallets, making it possible to move money across accounts.

One can pay bills and make purchases online if they use digital banking, which is becoming increasingly common. Plastic money may be used in a variety of ways, including making payments online, getting cash from an ATM, and making purchases at brick-and-mortar stores by swiping the card. Another kind of digital payments mode commonly referred to as "net banking" is the process of moving money from one bank account to another by making use of Real-Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT). There is typically just a minimal fee associated with each transaction.

Indian banks are trying to make our life easier. Not just bill payment, we can make investments, shop, or buy tickets and plan a holiday at our fingertips. Services are as under:

Bill Payment Service: Almost all banks have tie-ups with various utility companies, service providers and insurance companies, across the country. One can facilitate payment of electricity and telephone bills, mobile phone, credit card and insurance premium bills. To pay bills, all we need to do is complete a simple one-time registration for each biller. We can also set up standing instructions online to pay your recurring bills, automatically. One-time standing instruction will ensure that we don't miss out on our bill payments due to lack of time. Most interestingly, the bank does not charge customers for online bill payment.

Fund Transfer: One can transfer any amount from one account to another of the same or any another bank. Customers can send money anywhere in India. Once we login to our account, we need to mention the payees' account number, his bank, and the branch. The transfer will take place in a day or so, whereas in a traditional method, it takes about three working days. With Internet banking, customers can not only pay their credit card bills online but also get a loan on their cards. Not just this, they can also apply for an additional card, request a credit line increase and we can forbid if we lose our credit card, we can report lost card online.

Railway Pass: This is something that would interest all the Aam Janta. Indian Railways has tied up with ICICI bank and we can now make our railway pass for local trains online. The

pass will be delivered to us at our doorstep. But the facility is limited to Mumbai, Thane, Nashik, Surat, and Pune. The bank charge quite nominal service tax.

OBJECTIVES

The objectives of the study are as follows:

- To examine the importance of the digital banking
- To examine the acceptance of the digital banking during the period of COVID-19
- To analyse the impact of digital banking on economic development of India
- To explore the future prospects of digital banking

RESEARCH METHODOLOGY: This paper is an attempt of exploratory research and descriptive in nature. The data for this study has been collected from various secondary sources i.e., Research Papers, Magazines, Journals, Official Websites, Books, Newspapers, etc. regarding digital banking and consequences of COVID-19.

LITERATURE REVIEW: A literature review is a piece of academic writing demonstrating knowledge and understanding of the academic literature on a specific topic placed in context. Some reviews of literature are:

Sharma and Dubey (2022) conducted research and presented their results of how COVID-19 affects digital banking in India. The findings of the study indicate that COVID-19 has recently had an impact on the economy of India and has, as a result, had some level of influence on digital banking. However, there are only a limited number of research projects being carried out in the field of digital banking in relation to the COVID-19 scenario, even though there are a vast number of research projects being carried out in the field of digital banking both nationally and globally. The business of providing financial services must go beyond the practice of selecting the best possible combination of distribution channels and start concentrating on the needs of each individual client instead. As a result, for financial institutions to be able to adapt to the unpredictability of the future, they need to guarantee that they are future-proof, both in terms of the digital products they offer and the organizational structures they employ.

The authors Chauhan et al. (2022) established a framework that identifies the most significant aspects of digital banking that effect the financial performance of banks. They also presented evidence that digital banking has an influence on consumers' judgments of the quality of service they obtain. It was discovered that the Customer Experience (CE) is determined by three different types of clues: functional clues (such as functional quality, trust, and convenience), mechanical clues (such as website attributes, website design, and perceived usability), and humane clues (such as friendliness and empathy) (customer complaint handling). Research is

being conducted on an ongoing basis with the goal of integrating consumer involvement with the notion of the service profit chain. This study tries to fill in some of the blanks in our understanding of how "gamification" may be utilized to improve the customer experience in technology-driven financial services by filling in some of those blanks. An integrative framework is provided as a means of linking technology-related factors (digital banking cues and gamification), customer-related factors (customer engagement, customer happiness, and customer loyalty), and performance-related factors. This is the last but not the least of what is offered (financial performance).

An examination of how consumers in the Omani environment regarded the usage of electronic banking during the COVID-19 outbreak was carried out by **Al-Hajri et al. (2022)**. The research indicated that a sizeable proportion of bank customers in Oman had an interest in making use of the online banking services that are available. On the other hand, the results showed that perceived ease of use, ambiguity, enabling conditions, and self-efficacy has a major effect on E-banking adoption. Because of this, these characteristics have the potential to enhance the acceptability of E-banking services in Oman.

Kitsois et al. (2021) presented the perspective of bank representatives about new advancements and offered a reasonable commitment to the heads of Greek financial associations to prepare specified instructional initiatives to work with the transition to the new computerized era for their employees. They also offered a reasonable commitment to the heads of Greek financial associations to prepare specified instructional initiatives to work with the transition to the new computerized.

According to **Li et al (2021)**, one of the types of organizations that has embraced the use of internet services in order to deliver their services is banks. Banks are listed as one of the institutions that have embraced the use of internet services. It has been demonstrated to the banking industry that the use of online services has the potential to increase both client retention and market share. One of the primary benefits of utilizing internet services is that they enable businesses to save costs while simultaneously meeting the demands and satisfying the inclinations of customers.

Research was conducted by **Sachdeva and Jain (2021)** to examine the impact that COVID-19 has on the general acceptability of digital payment systems. It was found that the volume of all types of financial transactions, including NEFT, RTGS, and Mobile Banking, increased during COVID-19 hours beginning in January 2020 and continuing after that date. It was

hypothesized that this was owing to the fact that individuals were forced to stay inside due to the lockdown, and as a result, they opted to do their business digitally instead of physically.

Al-Zatari and Reehan (2021) did a review of the research that had been done about online banking, with a particular emphasis on the impact that the COVID-19 epidemic had on the utilization of online banking services as a marketing channel. In particular, the authors focused on the impact that the epidemic had on the use of online banking services as a marketing channel. In order to meet the requirements of this inquiry, an exhaustive literature review covering past studies was carried out. In this earlier research, both the time period before and after the COVID-19 outbreak were taken into consideration. The current study came to the conclusion that the COVID-19 epidemic had a favorable influence on the market for the provision of online banking services after examining prior research that had been conducted on the subject. This was because to the fact that the epidemic led to social distancing regulations, which in turn encouraged individuals to turn to electronic services in order to do business, including banking. This was because of the chain reaction that the pandemic generated. This study came to the conclusion that the availability of security, privacy, ease of use, and trust were the most important factors affecting the quality of online banking services from the perspective of the customer. In addition, the findings of this research indicated that trust was the most significant component to consider.

The behavior of customers in relation to mobile banking was analyzed by **Van et al. (2021)** via the lens of the technological acceptance model (TAM). Within the framework of this technique, studies on trust and perceived risk have been carried out. The original data originated from one of the most important joint stock commercial banks in Vietnam, and it was collected from 403 of the bank's customers. The general population is ready to make the transition to utilizing mobile banking services. They do, however, recognize the potential for risk in the preliminary phases of the creation of mobile banking applications. People put their confidence in mobile banking programs, and they discover that utilizing them assists them in achieving the financial goals that they set for themselves. These programs all include some sort of safeguarding measure of one kind or another. There is a positive association between the perceived ease of use of mobile banking applications and the perceived value of these services, in addition to the desire to embrace these services because of this correlation.

Mehar (2021) investigated the role that various forms of financial inclusion and technology played, as well as their efficacy, in ensuring that economic and commercial operations continued unabated throughout the COVID-19 epidemic. Mehar's research focused on the role

that various forms of financial inclusion and technology played in ensuring this continuity. According to the findings, COVID-19 had a detrimental effect on the expansion of the GDP. Despite this, the utilization of financial technology for the purchase of goods and services, as well as the receipt of money through digital modes during the pandemic crisis, may in some way offset the economic losses.

Shihadeh (2020) conducted research into the relationship between consumer behavior and the utilization of online banking services in day-to-day living. The data for this investigation came from the 2014 Global Findex Database maintained by the World Bank. The study concluded that the use of online banking services is connected to a variety of elements, one of which is an individual's educational level. Other aspects include an individual's age, gender, and income level. And that the use of online banking services is still relatively uncommon in the nations that make up the MENAP region, as well as the fact that people with higher levels of education are more likely to use online banking services. This is in addition to the fact that people with higher levels of education are more likely to use online banking services. According to the conclusions of the study, governments should work together with suppliers of financial services such as banks to develop online banking services that are both user-friendly and efficient in terms of cost. The results of the study called for more investigation into the potential connections between the COVID-19 outbreak and the utilization of online banking services.

Jain et al. (2020) conducted study on many aspects of digital banking. According to the findings of the study, the Indian economy has come a long way since the late 1980s, when the first steps toward computerization in the banking sector were taken, to the present day, when digital banking is the norm, and smart phones are in the driver's seat. This is because in the late 1980s, the first steps toward computerization in the banking sector were taken in the banking sector. Since then, the banking sector has taken many steps toward computerization. The process of demonetization that took place in November 2016 was extremely important in easing the shift of the economy from analogue to digital forms of currency. This transition was made possible as a result of the demonetization process. Even though users believe that cash is still an extremely necessary source of payment, the use of alternative payment methods such as mobile wallets and online platforms such as UPI and the BHIM app is becoming increasingly widespread. This is despite the fact that users continue to believe that cash is still the most necessary source of payment. There is little doubt that the advent of digital banking has resulted in a tremendous boost in the quality of both the customer experience and the

provision of financial services. This is the case for several reasons. The traditional banking system in India would need to overcome several challenges before it could take use of all the possibilities offered by digital banking. Before the digital revolution can be fully realized, it is necessary to first ensure that connectivity to the internet and other types of digital infrastructure are protected. In addition, there is the prospect of cyber assaults, which, in addition to the risks connected with sensitive customer information and online frauds, might result in significant disruptions to the provision of financial services. It will be really interesting to watch how the banking sector reacts to the issues that have been raised. There are a number of different parties, including the government, that all have vital roles to play in this circumstance. This will influence the rate of our nation's march toward digitization as well as the broad direction that it will take.

Research was carried out by **Bagewadi and Dhingra (2020)** that examined and contrasted the banking systems in India both before and after COVID-19. It was also highlighted that the infrastructure that supports online banking has seen a tremendous development in recent years.

The socioeconomic and monetary disruption that was caused by the COVID-19 outbreak served as the incentive for the research that was carried out by **Moşteanu et al. (2020)**. They investigated the ways in which demand for and supply of online banking services shifted over time. In addition, the financial digitization and digital changes in the banking sector at a global level, as well as the benefits of digitization for individuals and businesses at the same level, the study found that the current rules of social restrictions helped companies and individuals learn and apply new communication technologies. The utilization of data sourced from foreign databases served as the foundation for these conclusions. If financial institutions, notably the banking system, were concerned at the beginning of the epidemic, many services are now given remotely online rather than through face-to-face conversation. This is particularly true for banking. Additionally, in order to accommodate the requirements of new clients, financial institutions are in the process of revamping the organizational framework of their business operations to incorporate digitalization.

Researchers **Baicu et al. (2020)** looked at how the pandemic brought on by the COVID-19 virus influenced the behavior of customers in the Romanian market for online banking services. The findings of the study indicate that during the pandemic phase of the Corona virus in Romania, there was a stronger demand for the use of internet banking services than there had been during the previous time period.

Jindal and Sharma (2020) attempted to evaluate the impact that online banking services play in the battle against the COVID-19 epidemic by using a descriptive technique and a questionnaire that was addressed at customers in the city of Bulandshahar in the Indian state of Uttar Pradesh. Individuals who use online banking services have a greater sense of safety, according to the findings of the study, which shows that internet banking plays a crucial part in the battle against the Corona epidemic. In addition, the study found that people who use online banking services feel more secure. Additionally, they discovered that those who utilize online banking services had a greater sense of accomplishment.

RESEARCH GAP

After reviewing the earlier research that was relevant to the subject, the current research discovered a wide range in the features and results of studies that were taken into account, including:

- The financial institutions ought to place a higher emphasis on remuneration, be it in the form of wages, incentives, perks, bonuses, and commissions, or more equitable benefits.
- The capacity of the financial sector to bounce back from the shock will be directly proportional to how soon the economy rebounds from the epidemic. It is quite clear that the actual economic loss will be far more severe than the current forecasts.
- Legislators need to move fast in order to mitigate the impact of the shock on both the official and informal sectors of the economy. It was also discovered that the infrastructure supporting internet banking has undergone a substantial amount of development.
- There are no published literature evaluations that conduct an investigation of how bank employees felt about the expansion of their customers during the period covered by COVID-19.

IMPACT OF DIGITAL BANKING ON THE ECONOMIC DEVELOPMENT OF INDIA: Digital banking has prepared the way for a revolutionary banking system. It can also provide significant country-wide benefits, particularly in developing economies such as India. Here are a few examples of how online banking is assisting the country in maintaining its growing momentum.

- **Increasing the Accessibility of Basic Banking Services:** Financial inclusion is a critical facilitator of long-term, inclusive development. Nevertheless, according to a World Bank analysis, "India is among seven countries home to half the world's 1.4

billion adults without access to formal banking, a recent World Bank report has flagged."

Financial organizations may use digital branch banking to increase their reach without growing their physical presence. In fact, the RBI has created 75 DBUs (Digital Banking Units) in small towns and districts across the country to make financial services available in underserved areas.

- **Enhanced Government Assistance Access:** Rural development is critical to the long-term economic health of India. As a result, the government has implemented various rural development programs. People may now more easily benefit from such initiatives thanks to digital technology such as online Aadhaar authentication and digital transfers.

Furthermore, even during the COVID-19 epidemic, the government depended heavily on internet technology to give financial support to the population and help them get through the difficult era.

- **Enhanced Financial Education and Motivation for Investments:** Financial investments play an important role in helping people achieve a more secure financial future. Furthermore, given capital investments have an influence on the country's economic growth, the government must increase financial literacy and make investment products more accessible.

Digital banking is making a big difference in helping the government accomplish these goals. Customers with an Online Banking Account may easily access a wide choice of financial goods, including mutual funds, insurance, government schemes, and more.

- **Simplifies Banking Procedures:** The top digital banks almost eliminate the requirement for clients to visit the bank. Customers may easily use these products/services from the convenience of their own homes, whether it's creating a new savings account, reserving a fixed deposit (FD), or reviewing transaction history. Because the banking industry is critical to the country's economy, more streamlined and efficient banking operations will benefit the economy.
- **Promotes Novelty and Business:** The increased popularity of online banking and digital payments has hastened innovation in the industry. UPI is one of the most prominent examples of digital success in the country. The future of digital banking will see the introduction of various novel online payment alternatives.

SUGGESTIONS FOR IMPROVEMENTS

The following are some suggestions for improvement of acceptance of digital banking:

- **Promote user behaviour study:** Examine evolving preferences and factors influencing digital banking adoption
- **Increased security and trust:** Evaluate consumer trust levels and security measures in digital transactions.
- **Build technological infrastructure:** Assess accessibility and usability challenges based on existing technology.
- **Understanding Customers:** Find out why people like or don't like digital banking and what makes them use it more or less.
- **Explore technological trends:** Integrate emerging technologies and analyse their potential impact on India's digital banking landscape.
- **Regulatory framework assessment:** Analyse policies influencing digital banking growth and consumer behaviour.

CONCLUSION

The potential for digital banking in India is both exciting and hopeful. The current condition of digital banking in India is marked by a dynamic ecosystem that includes a varied range of established businesses, new fintech (financial technology) start-ups, and traditional institutions that have embraced the digital transition. The future of digital banking in India seems bright, with various emerging trends altering the industry and propelling its growth. These trends are poised to change how banking services are offered and perceived by consumers.

Digital banking services are the most effective way to conduct financial transactions and drive industrial growth. This is true for the objective to prevent COVID-19 or speed up business and save costs. The COVID-19 outbreak created a chance for the internet banking business since everyone was obliged to use it. The above study showed the potential, for which banks engaged in marketing to encourage consumers to utilize online banking services, helped people embrace these services, even when the quality was lacking. Financial institutions could use the fact that everyone must use internet banking to obtain a competitive edge when attracting new clients or maintaining existing ones. Pay attention to the basics that influence the quality of financial services. Privacy, usability, and security of clients' data are important. These characteristics are supported by the bank's brand and clients' confidence, as well as legislation protecting all participants in electronic transactions.

FUTURE RESEARCH OPPORTUNITIES

The following areas can be purposed for future research:

1. More research will be conducted to find the relationship between the pandemic and

using online banking services.

2. More research will be conducted in developing countries, especially in rural areas.
3. Scope to study the strategies of bank employees about the expansion of their customer during the period of COVID-19

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