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Role of Digitalisation in promoting Online Banking Transaction

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Abstract

Digitalisation has revolutionized the banking sector by transforming traditional banking services into technology-driven financial solutions. The present study examines the role of digitalisation in promoting online banking transactions in India using secondary data collected from reports of the Reserve Bank of India (RBI), National Payments Corporation of India (NPCI), government publications, research articles, and scholarly literature. The study highlights how digital technologies such as internet banking, mobile banking, Unified Payments Interface (UPI), digital wallets, and Aadhaar-enabled payment systems have enhanced the accessibility, convenience, speed, and security of financial transactions. Digitalisation has also contributed significantly to financial inclusion by extending banking services to underserved populations and reducing dependence on cash-based transactions. The findings indicate that online banking has improved customer satisfaction, operational efficiency, and economic transparency. However, challenges such as cybersecurity risks, digital literacy gaps, and infrastructural limitations continue to affect wider adoption. The study concludes that digitalisation is a key driver of sustainable growth in online banking transactions and the digital economy.

***Keywords**: Digitalisation, Online Banking, Internet Banking, Mobile Banking, UPI, Digital Payments, Financial Inclusion, FinTech, Digital Economy, Banking Technology.*

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1. Introduction

The banking industry has undergone remarkable transformation during the last two decades. Traditional banking methods that required customers to visit bank branches for deposits, withdrawals, fund transfers, and account inquiries have gradually been replaced by digital banking services. The advancement of information and communication technologies has revolutionized the way financial services are delivered and consumed. Digitalisation refers to the integration of digital technologies into business operations and service delivery systems. In the banking sector, digitalisation includes internet banking, mobile banking, digital wallets, Unified Payments Interface (UPI), Aadhaar-enabled payment systems, cloud computing, artificial intelligence, and data analytics. These technologies have significantly improved banking efficiency and customer experience.

India has witnessed rapid growth in digital banking due to increasing smartphone penetration, affordable internet services, government initiatives such as Digital India, Pradhan Mantri Jan Dhan Yojana, and the expansion of digital payment infrastructure. The COVID-19 pandemic further accelerated the adoption of online banking as consumers increasingly preferred contactless and remote financial transactions. Online banking transactions have become an integral part of everyday financial activities, including fund transfers, utility bill payments, online shopping, investments, and government benefit transfers. Digitalisation has therefore emerged as a key driver of financial inclusion and economic modernization.

Review of Literature

(Joshi & Jindal, 2022) Rural co-operative banks of Uttarakhand state do not provide online banking services, some banks have not still their website. (Jindal, 2020) Nainital District Co-operative Bank needs to improve the online banking services. (Jindal, 2021) Due to the digital environment and rapid changes in the economy & society, banks‘ works have renovated and enhanced (Jindal & Srivastava, 2021) Almora Urban Co-operative Bank needs to improve the parking facility, interest rate on the loan, online banking services. (Srivastava & Jindal, 2021) An appropriate return is required for productivity of bank and earning quality is an essential parameter to evaluate the earning ability of bank. Technological improvement can provide faster and error less services to improve earning and other ability. (Chandra et al., 2021) The industry is stagnant in this segment. There are many factors contributing to the growth of online shopping pattern. The factors differ by different writers, different time and in different countries. (Goswami & Jindal, 2021) Primary Agriculture Credit Society is the basic unit which deals with rural credit to farmers for meeting their financial requirement and working with very less technology. (Saxena & Jindal, 2021) In rural areas customers are less satisfied with the digital banking services and banks has to improve it. (Jindal & Sharma, 2020) Customers are 83% satisfied with the online banking services of private and public sector banks. (Jindal & Sharma, 2020) Online banking can be done without physically visiting the bank branch and it can make the transaction through an electronic basis. (Arya & Jindal, 2020) To use digital marketing by farmers and rural people good digital and other banking services is the essential need and these needs have been provided by many banks. (Chandra et al., 2020) Ceasing the currency of 500 & 1000 note from circulation proved a boon for digital transitions in August 2016. (Jindal, 2019) Bank provides services to its customers and customer satisfaction is essential for future growth of bank. (Saxena & Jindal, 2019) has done a study with the importance of digital banking environment terms including ATM Card, Passbook, Cheque Book distribution service. (Saxena & Jindal, 2022) Good communication connectivity at a reasonable rate is the need of India for continuous growth. (Sharma & Jindal, 2022) A bank is a financial institution different from the other organizations. (Sharma et al., 2022) Many types of banks are working in India. Some are dedicated to general work of public.

(Jindal & Jindal, 2022) language is also a barrier due to mostly people is rural area know the Great Hindi Language and digital devices are friendly with other foreign language. (Deepika & Jindal, 2024) e-waste generated nationally using data from producers on nationwide sales as well as the average lifespan of notified electrical and electronic equipment. (Jindal, 2024) The uniqueness of UPI over other digital payment methods like 24*7 and 365 days availability. (Singh et al., 2025) The Aadhaar Enabled Payment System (AEPS) is a pivotal tool for fostering financial inclusion in Bharat, especially in rural and underserved regions. (Jindal & Dubey, 2025) In the rural areas Lack of knowledge regarding the marketing and promotion of products on digital platforms. (Singh & Jindal, 2024) AI has significantly enhanced the efficiency and security of financial transactions. (Singh & Jindal, 2025) The banking sector has a big role in the development of a country economy by mobilizing savings, facilitating credit, and ensuring financial stability. (Jindal et al., 2025) Tailored awareness efforts through local health camps, educational campaigns, and digital communication platforms can enhance preventive behaviors.

(Sachan et al., 2020) Employee psychological health is shaped by the interaction between individual coping capacities and the design, culture, and management of work itself. (Sachan et al., 2019) Public sector banks in India operated under highly regulated and bureaucratic systems. (Sachan et al., 2018) In the modern business environment, organizations operate in rapidly changing markets influenced by globalization, technological advancement, digital transformation. (Sachan et al., 2021) Characterized by flexible, short-term, and project-based work arrangements mediated through digital platforms. (Jindal & Srivastava, 2021) Annual reports of many cooperative banks are not available online and these annual reports have to collect from the head office of the bank. (Pokhariya & Jindal, 2022) Migration is happening due to a lack of good banking services at native place, especially in rural areas. (Singh & Jindal, 2024) This bank has a website to provide information to the public but does not provide online banking services to the customers. (Virmani & Jindal, 2025) Robo-advisors operate online, and regulators struggle with compliance because of the action and the mode of delivery of their services. (Jindal, 2022) State co-operative banks, district co-operative banks are the rural co-operative banks working with the primary agricultural credit Societies with less technology involvement. (Jindal & Sharma, 2022) A total of 363 district co-operative banks are working in India, with less technology involvement compared to private and public sector banks.

Objectives of the Study

The study has the following objectives:

1. To study the role of digitalisation in promoting online banking transactions.

Research Methodology

This study is descriptive and exploratory in nature and is based entirely on secondary data. Information was collected from reliable sources such as Reserve Bank of India (RBI) reports, National Payments Corporation of India (NPCI) publications, government documents, research journals, books, websites, and published articles related to digital banking and online transactions. The collected data were analyzed using qualitative and descriptive methods to understand the role of digitalisation in promoting online banking transactions. The study focuses on internet banking, mobile banking, UPI, digital payment systems, and financial inclusion initiatives. No primary data were collected for this research.

Evolution of Digital Banking in India

The journey of digital banking in India began with the computerization of banking operations during the 1980s and 1990s. Automated Teller Machines (ATMs), Electronic Clearing Services (ECS), and Core Banking Solutions (CBS) laid the foundation for modern digital banking. The introduction of internet banking enabled customers to perform banking transactions from remote locations. Mobile banking further enhanced accessibility by allowing users to access banking services through smartphones. Subsequently, the launch of UPI transformed the digital payment ecosystem by enabling instant bank-to-bank transfers.

Role of Digitalisation in Promoting Online Banking Transactions

Improved Accessibility and Convenience: One of the most significant contributions of digitalisation is the provision of banking services anytime and anywhere. Customers can access their accounts, transfer funds, pay bills, and monitor transactions through mobile applications and internet banking platforms. This convenience has increased the frequency and volume of online transactions.

Growth of Mobile Banking: The widespread adoption of smartphones has significantly contributed to online banking growth. Mobile banking applications provide user-friendly interfaces that enable customers to conduct transactions quickly and securely. Features such as instant fund transfer, QR code payments, and account management have encouraged digital transaction adoption.

Unified Payments Interface (UPI): UPI has revolutionized the Indian digital payment ecosystem. It allows users to transfer money instantly between bank accounts using mobile devices. The simplicity, speed, and interoperability of UPI have resulted in unprecedented growth in online banking transactions across urban and rural regions.

Enhancement of Financial Inclusion: Digitalisation has expanded banking access to previously underserved populations. Through mobile banking, Aadhaar-enabled payment systems, and digital wallets, individuals in remote areas can participate in formal financial systems. This has strengthened financial inclusion and reduced dependence on cash transactions.

Reduction in Transaction Costs: Digital banking significantly reduces operational and transaction costs for both banks and customers. Online transactions eliminate the need for physical documentation, branch visits, and manual processing. Consequently, financial institutions can provide services more efficiently and economically.

Faster and Real-Time Transactions: Digital technologies facilitate instant payment processing and real-time fund transfers. Customers can complete transactions within seconds, enhancing efficiency and improving customer satisfaction. This speed has encouraged greater adoption of online banking services.

Enhanced Customer Experience: Digitalisation has enabled banks to offer personalized services through artificial intelligence, chatbots, and data analytics. Customers receive customized financial recommendations, real-time notifications, and seamless service experiences that increase engagement with digital platforms.

Support for E-Commerce Growth: The growth of online shopping and digital marketplaces has increased the demand for online banking transactions. Digital payment systems have become essential components of the e-commerce ecosystem, facilitating secure and convenient financial transactions.

Conclusion

Digitalisation has emerged as a transformative force in promoting online banking transactions by enhancing accessibility, speed, convenience, and efficiency in financial services. The adoption of internet banking, mobile banking, UPI, digital wallets, and Aadhaar-enabled payment systems has significantly increased the use of cashless transactions across urban and rural areas. Digital technologies have improved customer experience, reduced transaction costs, strengthened financial inclusion, and supported the growth of e-commerce and the digital economy. Government initiatives such as Digital India and the expansion of digital payment infrastructure have further accelerated online banking adoption. Despite challenges related to cybersecurity, digital literacy, and technological infrastructure, the overall impact of digitalisation on banking transactions has been highly positive.

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