



# Promoting Digital Banking

## Why in News

Recently, the **Union Minister of State for Finance** has stated in the [Rajya Sabha](#) that the Government has taken a **number of steps to facilitate digital banking, doorstep banking services and digital lending platforms.**

## Key Points

- **Digital Banking:**
  - It is the **digitization (or moving online) of all the traditional banking activities and programs services** that were historically only available to customers when physically inside of a bank branch.
  - This includes activities like Money Deposits, Withdrawals, and Transfers, Checking/Saving Account Management, Applying for Financial Products, Loan Management, Bill Pay, Account Services.
- **Challenges:**
  - **Internet access** is not the only barrier to adoption of digital payments.
  - **Educating users as well as ensuring the security** of their data is essential.
- **Initiatives Highlighted:**
  - **EASE Reforms Agenda:** It was **launched in January 2018 jointly by the government and PSBs.**
    - It was **commissioned through Indian Banks' Association and authored by Boston Consulting Group.**
    - EASE Agenda is **aimed at institutionalizing CLEAN and SMART banking.**
    - **EASE Reforms Index:** The Index **measures performance of each PSB on 120+ objective metrics.** The goal is to continue driving change by encouraging healthy competition among PSBs.
    - **EASE 1.0:** The EASE 1.0 report showed significant improvement in PSB performance in resolution of [Non Performing Assets](#) (NPAs) transparently.
    - **EASE 2.0:** EASE 2.0 builds on the foundation of EASE 1.0 and introduced new reform Action Points across six themes to make reforms journey irreversible, strengthen processes and systems, and drive outcomes.
      - The six themes of EASE 2.0 are: Responsible Banking; Customer Responsiveness; Credit Off-take, PSBs as UdyamiMitra (SIDBI portal for credit management of MSMEs); Financial Inclusion & Digitalisation; and Governance and Human Resource (HR).
    - **Ease 3.0:** It seeks to enhance ease of banking in all customer experiences, using technology viz. **Dial-a-loan, Partnerships with FinTechs and E-commerce companies, Credit@click, Tech-enabled agriculture lending, EASE Banking Outlets etc.**
    - **Ease 4.0:** State-run banks will focus on **co-lending with non-banking firms, digital agriculture financing, synergies and technological resilience for 24x7 banking** as part of their reforms agenda for this fiscal, Ease 4.0.
  - **PSBloansin59 minutes.com:**
    - Initiation of digital lending has been made contactless through **PSBloansin59 minutes.com**, using triangulation of **credit bureau, income-tax and [goods and](#)**

[services tax \(GST\)](#) data, to provide online in principle approval for **Micro, Small and Medium Enterprises (MSME)** loans.

- **Trade Receivables Discounting System (TReDS) Platform:**
  - **Online bill discounting for MSMEs** has been enabled on a competitive basis through **Public Sector Banks (PSBs) onboarding onto the TReDS platform** and the proportion of online discounted bills has grown rapidly.
    - **Bill Discounting** is a trade-related activity in which a company's unpaid invoices which are due to be paid at a future date are sold to a financier (a bank or another financial institution).
- **Jeevan Pramaan' Initiative:**
  - This **initiative for pensioners** has enabled senior citizen pensioners the facility to update their annual life certificate online.
- **Doorstep Banking Services:**
  - **PSB Alliance**, an initiative of all **PSBs and Indian Banks' Association**, has launched **doorstep banking services for all customers**.
  - Through 'Door Step Banking', customers can avail major Banking transaction services at their Doorstep.
- **Current Status:**
  - Now, nearly **72% of financial transactions of PSBs** are done through digital channels, with doubling of customers active on digital channels from 3.4 crore in FY 2019-20 to 7.6 crore in FY 2020-21.
  - The share of **financial transactions undertaken through home and mobile channels** has increased from **29% in FY 2018-19 to 76% in FY 2020-21**.

## Way Forward

- Digital is the only way forward. Banks will have to hitch to this bandwagon by adapting new age technologies like [Blockchain](#), [Artificial Intelligence](#), **Machine Learning**, and [Internet of Things \(IOT\)](#).
- Cross-selling through Intelligent Analytics driven on the strength of big data and curated product offerings for different customer segments is what will distinguish banking offerings.

**Source: PIB**

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