

NEW ADD-INS IN THE BANKING SECTOR

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Abstract

Over the last three decades the role of banking in the process of financial intermediation has been undergoing a profound transformation, owing to changes in the global financial system. India's banking system has seen some major financial innovations in the past decade with the aim to take banking services to yet-to-be-banked areas. The major impetus for financial innovation has been globalization of financial systems, deregulation, and great advances in technologies. In increasingly integrated financial systems facing higher volatilities, more competition and wide varieties of risks, innovation has become an essence to provide new products and strategies to better suit different circumstances of time and market and to meet different requirements of bank customers. Intense competition among the banks has redefined the concept of the entire banking system. The banks are looking for new ways not only to attract but also to retain the customers and gain competitive advantage over their competitors. Today banking is known as innovative banking. The present paper describes various new ideas adopted by modern banks in order to offer better customer services.

Key Words: Banking, Innovation, Developments, Internet

New Add-Ins in the Banking Sector

"Banking has to work when and where you need it. The best advice and the best service in financial services happens in real time and is based upon customer behaviour, using principle of Big data, mobility and gamification."

Brett King

(CEO and Co-founder of Moven)

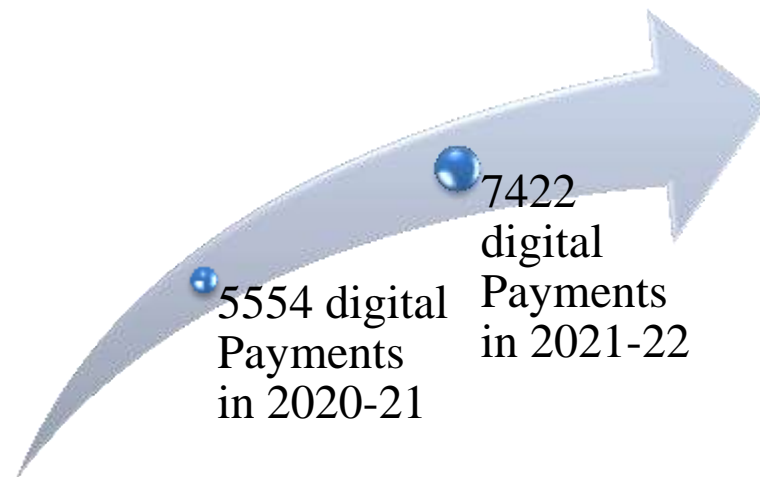
Introduction

Information technology has given rise to new innovations in the products designing and their delivery in almost every sector and banking and finance industries are no exception. The banks like other business organizations are deploying innovative sales techniques, internet based services and advanced marketing tools to gain supremacy. The main driver behind this change is changing customer needs and expectations, and for modern banks customer satisfaction is their prime work. Customers in urban India no longer want to wait in long queues and spend hours in banking transactions. This change in customer attitude has gone hand in hand with the development of ATMs, Mobile phone apps and net banking along with availability of service right at the customer's doorstep. With the emergence of universal banking, banks aim to provide all banking products and services under one roof and their endeavor is to be customer centric. While banks are striving to strengthen customer relationship and move towards 'relationship banking,' customers are increasingly moving away from the confines of traditional branch banking and are seeking the convenience of remote electronic banking. Information technology and the communications networking systems have revolutionized the working of banks and financial entities all over the world.

Banking sector has become an emerging sector in India, their services are affecting to the human life and their life style, and no one can deny that now the banks have become the necessity of everyone. In this era, the need and satisfaction level of human has moved beyond the previous benchmark, and banking sector is providing lot of services to the customers. Traditionally banks were providing only saving facility to the public and there were less number of banks are available, now scenario has been changed. There are nearly 34 banks working in India, out of which which 12 belong to public sector are 22 belong to private sector. Earlier the banks used to work only for urban side of the country, but now they are focusing on the rural side. They are providing facilities for upliftment of rural life style and their economic conditions. To offer these services successfully, banks continuously focus on their innovation policy and strategy. Various innovative strategies and the policies are designed by banks for retention of the existing and valuable customers.

Current banking sector has come up with a lot of initiatives that oriented to provide better customer services with the help of new technologies. Banking through internet has emerged as a strategic resource for achieving higher efficiency, control of operations and reduction of cost by replacing paper based and labour intensive

methods with automated processes thus leading to higher productivity and profitability. Financial innovation associated with technological change totally changed the banking philosophy and that is further tuned by the competition in the banking industry. According to Ministry of Electronics and IT (MeitY), the volume of digital payments in India has increased by 33% year on year during financial year 2021-22. A total of 7422 core digital payment transactions were recorded during this period. Another study on the Internet users, conducted by Internet and Mobile Association of India (IAMAI), found majority of users prefer internet banking as the banking channel in India, while second preference goes to ATMs.



The introduction of innovations in banks has transformed banking by providing banking services anytime, anywhere and anybank to the customer. The customer is saved from various risks and botheration of carrying hard cash or travelers' cheque. It has also helped by offering cost savings to banks. Entry of ATMs has changed the profile of front offices in bank branches. Customers no longer need to visit branches for the fundamental function of drawing money.

Add-Ins in the Banking Sector

The term innovation means "to make something new". Innovation is the process through a sector adds value to existing plain vanilla products that satisfy the user needs. According to John Finnerty, "Innovation involves the design, the development, and the implementation of innovative instruments and processes, and the formulation of creative solutions to problems in that sector". Banks are no longer restricted themselves to traditional banking activities but have explored newer avenues to increase business and capture new markets. From 1806, qualitative & quantitative changes have been taken place. With 1935 regulation RBI was proclaimed as central bank of India, while in 1990's greater emphasis was placed on technology & innovation. New concepts like personal banking, retail banking, total branch automation, e-banking, UPIs, mobile apps etc were introduced. These new add-ins in Indian banks are connecting hundreds of millions to the banking system. Financial innovations are a result of number of Government regulations, tax policies, globalization, liberalization, privatization, integration with the international financial market and increasing risk in the domestic financial market. The various innovations in banking and financial sector are ECS, RTGS, EFT, NEFT, ATM, Retail Banking, Debit & Credit cards, free advisory services, implementation of standing instructions of customers, payments of utility bills, fund transfers, internet banking, telephone banking, mobile banking, selling insurance products, issue of free cheque books, travel cheques and many more value added services.

1. **E-Banking:** E-Banking enables people to carry out most of their banking transactions using a safe website which is operated by their respected bank. The IT revolution had a tremendous impact on the Indian banking system. The use of computers has led to the introduction of online banking in India. The use of computers in the banking sector in India has increased manifold after the economic liberalization of 1991 as the country's banking sector has been exposed to the world's market. Indian banks were finding it difficult to compete with the international banks in terms of customer service, without the use of information technology. The RBI set up a number of committees to define and co-ordinate banking technology. E-banking offers multiple advantages such as:

- Faster and more convenient transactions.
- No longer required to wait in long queues.

- Easy and simple process for opening of accounts.
 - Ease in applying for bank loan
 - Cost effectiveness for bankers
 - Faster and convenient fund transfer
 - Stock trading, exchanging bonds and other investment.
2. **Core Banking:** Core banking functions are being conveniently performed by banks, such as:
- Depositing and lending of money
 - Core Banking solution
 - Knowing customer needs
3. **Corporate Banking:** It related to offering financial Services to large corporative and MNCs, which include following services:
- Overdraft facility
 - Domestic and international payments
 - Corporate funding
 - Channel financing
 - Letters of guarantee
 - Working capital facility for domestic & international trade.
4. **Investment Banking:** It related to the following services:
- Creating fund and wealth of clients
 - Corporate financing
 - Mergers and Acquisitions
 - Professional sales person providing advice on stock trading.
5. **Rural Banking:** It provides and regulates credit services for the promotion and development of rural sector mainly agriculture, small scale industries, Cottage and village industries, handicraft and many more.
6. **NRI Banking:** This facilities is designed for diverse banking requirements of the vast NRI population spread across the globe.
- NRE (Non Residential External Account)
 - NRO (Non Residential)
 - FCNR (Foreign Currency Non Resident Account)
7. **Retail Banking:** It refers to banking in which banks execute transaction directly with individual, rather than corporate banks. It is also known as 'One Stop Shop'. It includes the following services:
- Saving and checking accounts
 - Mortgage
 - Housing Finance
 - Auto Finance
 - Consumer Durable loans
 - Credit Cards.
8. **Any Branch Banking:** It is facility for customers to operate their accounts from any of the same banks network branch. Following services can be availed by the customers:

- Cash withdrawal and cash deposits.
 - Account Statement.
 - Facility to issue multi city cheques
 - Funds transfer
 - Balance enquiry
 - Purchase of demands draft pay order
 - Repayment of loan account
9. **Demat Services:** It offers secured and convenient way to keep track your securities and investments over the period of time without hassle of handling physical accounts. It provide facility for online trading.
10. **Micro-finance:** It refers to a movement that envision a world in which low income households have permanent access to a range of high quality financial service to finance their income producing activities, build assets, stabilize consumption and protect against risk.
11. **Plastic Money:** Plastic money is the alternative to the cash or the standard money. It is convenient to carry. The various Plastic money/cards include ATM cards, Debit Card, ATM cum Debit Card, Credit Card. Plastic money was a delicious gift to Indian market. Now several new features added to plastic money to make it more attractive. Credit card is a financial instrument, which can be used more than once to borrow money or buy products and services on credit. Banks, retail stores and other businesses generally issue these. On the basis of their credit limit, they are of different kinds like classic, gold or silver. The issuance of credit cards facilitates transactions without having to carry paper money. Despite the decline in the number of outstanding number of credit cards, the volume and value of transactions with credit card recorded a steep growth after 2019-20.
12. **Mobile Banking:** Mobile banking offers the accounts that can travel with the customer. It is the banking facility in which customer can bank from anywhere, at any time, in any condition or in any how. Facilities such as balance enquiry, fund transfer, cheque book request etc can be availed.
13. **RTGS:** RTGS stands for Real Time Gross Settlement system. It is a fund transfer mechanism where transfer of money takes place from one bank to another on a real time and on gross basis. This is the fastest possible money transfer system through the banking channel. It is different from EFT and NEFT. It is primarily for large volume transactions. The time taken for effecting funds transfer from one account to another is normally 2 hours. Over the last three decades the role of banking in the process of financial intermediation has been undergoing a profound transformation, owing to changes in the global financial system.
14. **FINACLE:** This system provides the holistic and integrated transformation approach, complete with solutions and service. Finacle solutions, addresses the requirements of retail, corporate and universal banking worldwide like:
- Core banking solution
 - E- Banking Solution
 - Mobile Banking Solution
 - Wealth Management
 - CRM Requirements

Road Ahead

Developing or acquiring the right technology, deploying it optimally and then leveraging it to the maximum extent is essential to achieve and maintain high service and efficiency standards while remaining cost effective and delivering sustainable return to shareholders. Managing technology is therefore, a key challenge for the Indian banking sector. The nationalized banks and commercial banks have the competition from foreign and new private sector banks. Competition in banking sector brings various challenges before the banks such as product positioning, innovative ideas and channels, new market trends, cross selling at managerial and organizational part. Banks are restricting their administrative folio by converting manpower into machine power

i.e. banks are decreasing manual powers and getting maximum work done through machine power. Skilled and specialized manpower is to be utilized and result oriented targeted staff must be appointed. The primary challenge is to give consistent service to customers irrespective of the kind of channel they choose to use. Retention of customers is going to be a major challenge. Banks need to emphasis on retaining customers and increasing market share. Information technology poses both opportunities and challenges. Even with ATM machines and Internet Banking, many consumers still prefer the personal touch of their neighbourhood branch bank. Technology has made it possible to deliver services throughout the branch bank network, providing instant updates to checking accounts and rapid movement of money for stock transfers. However, this dependency on the network has brought IT department's additional responsibilities and challenges in managing, maintaining and optimizing the performance of retail banking networks. Illustratively, ensuring that all bank products and services are available, at all times, and across the entire organization is essential for today's retails banks to generate revenues and remain competitive. Besides, there are network management challenges, whereby keeping these complex, distributed networks and applications operating properly in support of business objectives becomes essential. Specific challenges include ensuring that account transaction applications run efficiently between the branch offices and data centers. Banks in India will now have to work towards a vision to have an enhanced retail delivery system. Such a system would include transformed branches, enhanced telephone services, and leading-edge internet banking functions that provide a consistently positive multi-channel experience for the customer. Some of the challenges that the banks are facing today are changing needs of customers, coping with regulatory reform restructuring and reorganizing banks' setup towards thinner and leaner administrative offices; closing down and/or merging of unviable branches particularly in urban and metropolitan branches, maintaining high quality assets, increasing rate of NPAs, management of impaired assets, keeping pace with technology up-gradations and sustaining healthy bottom lines and increasing shareholder value.

Conclusion

The banking system in India has become stronger in terms of capitals and the number of customers. It has become globally competitive and diverse aiming. Exposure to worldwide competition and deregulation in Indian financial sector have led to the emergence of better quality products and service. Reforms have changed the face of Indian banking and finance. The banking sector has improved manifolds in terms of technology, deregulation, product and services, information system etc. With new opportunities unfolding Indian banking sector will be emerging as a global power in banking services in the next few decades. A conducive macro-economic environment, the landmark foreclosure law, falling interest, ample liquidity in the system, the fast spreading technological revolution, and huge potential in the retail segment augur well for Indian banks. However, the numerous challenges faced by banks such as increasing competition, pressure on spreads, and systemic changes to align with international standards have necessitated a re-evaluation of strategies and processes in order to remain competitive in this dynamic environment. The new business environment puts a premium on creativity and innovation more than ever before. This calls for innovative solutions. Banks may have to go for mobile banking services for a cluster of villages. Alternatively, technological institutions have to come out with low-cost, self-service solutions. The government and the RBI should actively support upcoming research efforts.

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