

## **RECENT DEVELOPMENTS AND REFORMS IN BANKING SECTOR**

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### **ABSTRACT**

The banking sector of India is vast; it handles all our financial transactions along with different kinds of financial services. It consists of several banks, financial institutions, small banks, foreign banks etc. An intensive change in banking sectors is seen by us, which is so beneficial for people of India. Banking sectors started adopting various changes like UPI based ATMs, Mobile banking facilities, Telephone banking facilities, Digital payments, WhatsApp banking services, Digital modes of payment, pilot project in central bank digital currency , Robotic process automation and many other things . As compare to past few years we can see vast changes or development in Indian banking sector, like increasing in number of ATMs, increasing the number of digital payment, increasing the number of bank accounts etc, even the village people or rural people are more aware about digitalization.

**KEYWORDS:** UPI, ATM, Mobile Banking, Digital payment, Net Banking, QR Code, WhatsApp banking

### **INTRODUCTION**

The Indian banking system is different from others banking system. Banking reforms was started by our former RBI governor whose name was M. Narasimhan. In 1991 a committee is established with the name of former RBI governor i.e., Narasimhan committee and after the establishment of this committee the banking reforms in India was effectively Banking reforms in India was used to enhance the ability, effectively, stability and performance of the Banking sectors. It helps in strengthen the financial condition of our economy. After the adoption of banking reforms the performance of banking sectors become more effective and efficient. It becomes easier to use banking opportunities. According to my research the main banking reforms in Indian banking sector was UPI based ATMs that is ATMs with QR code which is similar as other UPI apps or other payment apps but the main element in that was it also provide withdrawal facility where no need to carry out card, People can withdraw money without card that is known as careless withdrawal facility. After this the next reforms was WhatsApp banking services ,With the introduction of WhatsApp banking services it becomes more easier for people of India to use our baking services properly where they don't need to visit the banks or any of its branches. People can do their work from anywhere with the help of WhatsApp banking services. Next one is Digital payments system, it was introduced and promoted by our Prime minister Narendra Modi his motive to become Indian economy a cashless economy where people don't need to carry their paper money with them only they have to do is carry their digital money. The main benefit of it is that to reduce fraud and crimes. Various authentications were also used to protect data of users and also to reduce fraud. New banking models were also adopted where work of banks is divided with their other small banks. In rural areas more and more banks are starting to make them digitally.

Most of the banking apps are find more useful for the people because people can get their banking details at home from their mobiles it saves our lots of time and energy which is helpful for our mental health. It is of three types i.e., through SMS, WAP and USSD .ICICI was the first banks who used mobile banking services but there are many banks in fact all the banks are now providing mobile banking services to their customers and separate banks have separate mobile banking apps to use these services. Now the main reforms was to adopts robotics process automation where many of people works as done automatically with the help of some robot or robotics tools, as our country India is becoming developing to developed country the one of the main element in this process was our banking systems because it control our financial services or power which is the main element which affect our economy's growth. We can see many positive changes in our banking sectors which you can known easily from information given below. Thus our banking sectors are improving day by day and also it is the main things which helps our economy to grow. The main goal of these banking reforms is to enhance the profitability and efficiency of each and every bank whether it is small banks or their head branch. It is also used to stabilize the financial system of Indian banking, it also supports Indian banking sectors to grow continuously. In the mid of 18th century modern banking system is originated in India. The reform in India banking is started by our previous Prime Minister Dr. P.V. Narsimha Rao and our finance minister Dr. Manmohan Singh.

### **OBJECTIVES OF THE STUDY:**

- To examine recent trend and development in banking sectors.
- To show technological developments in banking sectors of India.
- To know the emerging trend in banking technologies.
- To compare development in Indian banking sectors with few years before.

### **RESEARCH METHODOLOGY:**

Source of data used for study of recent trends is secondary that are obtained through several banking books , notification through RBI , current budgetary information form finance minister and different online publications .

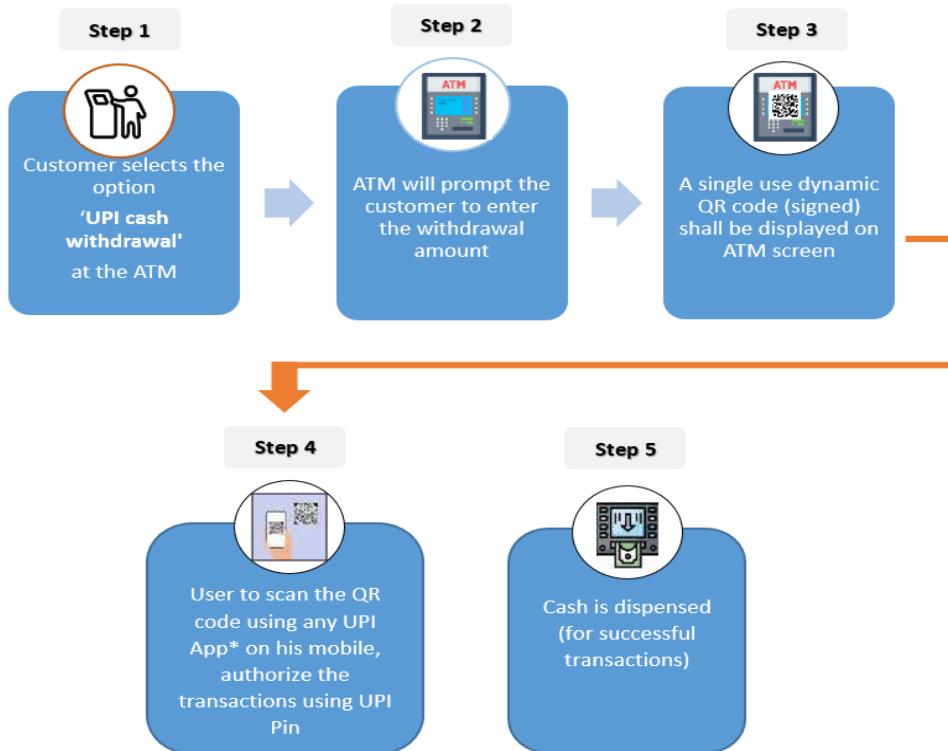
### **RECENT CHANGES AND DEVELOPMENT IN INDIAN BANKING SECTORS**

#### **1. UPI - ATM (Unified payments interface - Automated teller Machine).**

- In recent banking system the facility of UPI and ATM combine together to make transactions easier. Recently RBI provides a facility to withdraw money without card i.e., careless withdrawal facility across all the ATMs.
- In this, people can withdraw cash with the help of QR (Quick response) code which saves our lots of time.
- This facility is known as **ICCW** which means Interoperable careless cash withdrawal. ICCW facility announces by RBI in 2022 but it takes time to start.
- ICCW enabled in ATMs from 15th november,2024

- No extra fee is charge for ICCW facility.
- Transaction limit is  $\square$  5000 perday.

**Process to use UPI - ATM is easily understood by the below diagram:-**



### **Merit of ICCW:**

It protect from stealing the information of our ATM cards. ATM skimming is a theft of card information; skimmer is device which is used to steal the information or credit cards like card number, expiration date, security code from the magnetic stripe of debit and credit cards.

### **2. WhatsApp banking services**

- With the help of WhatsApp banking services we can get many Account services ,(like mini statement, know balance) Cheque services ( cheque status, cheque book request, stop cheque etc.) and Emergency services ( block UPI , disable / block debit card, stop cheque etc.) at home
- It is available in different languages like Hindi, English, Punjabi and Bengali.
- Separate bank have separate number for WhatsApp banking services by which people can get e-banking services from anywhere in the world .

### **3. Digital payment**

- In the last four years, we have seen 200% growth in the digital payment. UPI showed 8 times growth in the last three years and 50 times growth in the last four years.

- As per NCPI (**National Common Mobility Card Payment Infrastructure**), UPI transactions registered in financial year (FY) 2021-22 were in 45 billion.
- Now there is a draft framework released by RBI that is “Frame on alternative authentication mechanism for digital payment transactions”. These draft frameworks are released to protect the users from OTP scams. 43% of Indians being gone through this OTP scams.
- The authentication mechanisms are :-
  - a. First factor of authentication.
  - b. Two factor authentication ( 2FA)
  - c. Additional factors of authentication ( AFA)
  - d. These are dynamically created.

**NOTE: - Now the daily basis transactions is 42 crore.**

#### **4. New banking models**

- In recent days new banking models are introducing small finance and payment banks. Because of which we can see less crowd in the branch banks, work and people are divided into different financial banks to make works more relaxing and easier.
- New banking models focus on digital banking system with automation process and web based services, it makes work easier because approx 30-40% of work being automated like mobile banking.
- It also starts cross institutional service composition with the help of APIs (Application programming interface), by which banking products are delivered and it also provide Transactions.

#### **5. Mobile banking**

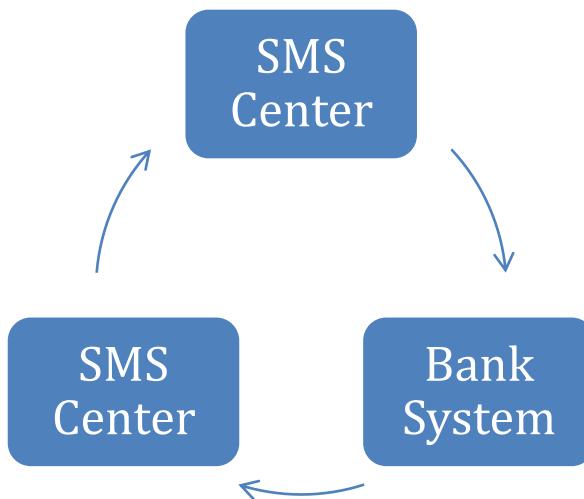
- Mobile banking is of three types that is
  - a) SMS mobile banking
  - b) WAP mobile banking ( Wireless application protocol)
  - c) USSD mobile banking ( Unstructured supplementary service data )
- The first mobile banking starts in India from ICICI Bank, ICICI Bank firstly start mobile banking facility in 2008.
- With the help of mobile banking people transact online, there is no need to visit the branch. It provide any type of financial transactions through customers mobile devices like checking balances, making transfers, paying bills, deposits checks, purchasing any services etc.

Some important mobile banking apps are following :-

- a) Capital one mobile

- b) Chase mobile
- c) Discover mobile
- d) YONO
- e) PNB one etc.
- These mobile banking apps helps to perform several banking work on mobile devices without visiting the bank.

The mobile banking can be easily understood by given below diagram:-



## 6. RPA - Robotic process automation

- Robotic process automation is used to automate several journal entries, ledger posting, reconciliation and various things in banks. For RPA, software is used to do manual tasks, data entries, customer on boarding and compliance checks.
- It helps to improve customer satisfaction because there is a less chance of error and mistakes and also by the use of RPA the speed of transactions and entries in becoming vast.
- Robotic process automation detects fraud easily because of their automated technology.  
It also enhances accuracy and compliance.
- Examples of RPA are following : -
  - a) OCR (optical character recognition).
  - b) Monitoring customer transactions.
  - c) Detecting error and fraud.
  - d) Interacting with reporting tools.

## 7. Pilot project on central bank digital currency (CBDV)

- Pilot project is started by RBI (Reserve Bank of India) for the e - rupee.
- On 1st November 2022 pilot project was firstly launched.
- It was launched for both wholesale and retail market.
- It motivated the general public to do digital payments.

### Structure of Indian banking

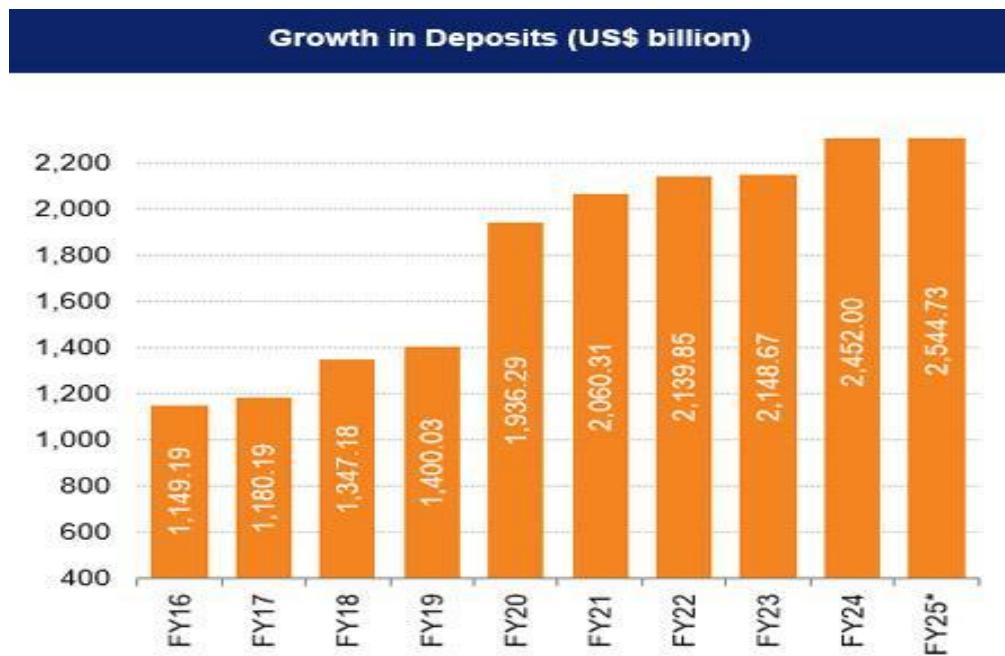
Indian banking system consists of 13 public sectors bank,21 private sector banks,42 foreign banks and 12 small finance banks . The total assets in the public sector banks is US \$ 1861.72 billion and the total assets of private sector banks in US \$ 95.7 billion.

The interest income of public sector banks reached US \$128.1 billion in the year 2024, and the interest income of private sector banks were reaching upto US \$ 95.7 billion.

- In the recent news of June 2024, the total number of micro ATMs in India reached 15, 17,580.
- As on July 2024, there were 602 banks actively using UPI i.e. unified payments interface.
- Digital payments have significantly increased in recent years, these all are happened not only because of RBI but also with the mutual efforts of the government of India, RBI and all the stakeholders.

### Recent positive changes in Indian banking sectors

- In the first four months of financial year 2024 2,796 ATM were added in banks against financial year 2022 only 1,486 banks were added in banks and as compare to financial year 2021 2,815 banks were added in ATMs.
- In the rural areas of India, all the banks account is opening digitally it saves human resource.
- As per the prediction of BCG (Boston Consulting Group) the proportion of digital payments will grow to 65% by the year 2026.
- According to RBI's Scheduled Banks' Statement, Deposits of all schedule banks are increasing continually and collectively , As on July 12th,2024 the deposits of banks is reached to 2.1 lakh crore.



Source: RBI. \*- Until July 2024

## CONCLUSION

Thus with the help of above gathered information we can conclude that Indian banking system is changing day by day but the main benefit of it is that it changes in positive ways .With the enhancement in banking reforms it becomes more easy to perform banking tasks such as digital payments, online banking, mobile banking, UPI based ATMs and many other things .The main reforms which is already discussed is pilot project on central bank digital currency, automated performance, telephone banking ,UPI based ATMs etc along with it structure of banking sectors are also discussed. So ,we can say that In recent few years a vast increasement or advancement is seen in Indian banking sectors, Indian banking sectors are developing continuous year by year with the help of our government and also our aware citizens.

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