



AN OVERVIEW OF INNOVATIONS IN BANKING SECTOR

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ABSTRACT

In the economy of a developing country like India, where the population has reached to 1200 million and out of this nearly 500 million deal with banking every day. In such a situation there was an urgent need to ensure financial inclusion and greater transparency in the banking sector and this need was fulfilled by adopting technological innovation in the working system of banks. In order to bring this innovation, the Indian banking sector is going through a vital change from all its verticals and this transformation not only leads to drastic change in banks approach towards its customers but also leads to vigorous information and technological change of banking products too. Banks in the contemporary era face a blitz of challenges, spurred by the latest technological advancements and mounting customer expectations, which is stressing the need for IT modernization and digital innovation. The beginning of the 21st century has significantly marked a growth in the banking system. Innovation in the banking sector got a boost with the generation of private and foreign banks which led to activation of technological sophistication in every banking transaction. It also brought a fundamental shift in the functioning of banks both internally and externally, as it enables banks to provide better customer service

The key advantages of adopting technology and innovation resolutions in the field of banking are faster, accurate and efficient. This paper projects on innovation in the banking sector which also leads to re-engineering of business processes and tackling various issues to create a customer centric operating model.

KEYWORDS: Banking system, Innovation, IT Modernization, Mobile Banking, Technology

INTRODUCTION

Indian banking has a long journey. It has witnessed a number of changes. Since the 1990s, India began to place greater emphasis on technology and innovation. At present banking sector is well-regulated and sufficiently capitalized. There are 19 nationalized banks, 1 other public sector, 21 private banks, 3 local banks, 9 small finance banks, 4 payment banks, 43 foreign banks, 31 state co-operative banks, 56 Regional Rural Banks (RRB)

The Indian economy basically depends on the three sectors namely primary sector, secondary sector and tertiary sector and all the three sectors are being majorly supported by the banking sector. Bank plays a vital role in the economic development of every country. They are the lifeline of the economy by making largest contribution to GDP nearly 7.7 percent to our country. The Indian banking system is very fast changing and developing, such as today' simple mentation of new policies, rules and regulations. The banking sector is providing the financial support to all the three sectors by disbursing loans, advances, short term credits, issuing letter of credit, bank guarantees etc. as its traditional work. Apart from it the new phase of Indian banking resembles in work life providing forex support, digital banking, e-commerce, tele-banking and many more, one cannot imagine a rapidly growing economy without banking support.



The banker has observed and analyzed the customer wants and satisfaction, such as fast changes in the way of transaction channels such as ATM, balance enquiry, internet banking, mobile banking, e-cheque, Electronic Fund Transfer (EFT), credit cards, debit cards, smartcards and payment banks. Indian banks established various payment banks and also started in the post office department. The post office department is also used for banking purposes, which means the Indian banking sector rapidly changes and grows. If the banking sector gets impact by any obstacle, its consequences will definitely be borne by all these three sectors which are pillars of the Indian economy. This paper studies the recent trends in the banking sector and to know the issues and challenges

OBJECTIVES OF THE STUDY

- To study the overall changes in the Indian banking sector due to technological innovations.
- To analyze the challenges faced by the Indian banks in the present scenario after the Pandemic

RESEARCH METHODOLOGY

Being an exploratory research, it is based on secondary data from journals, articles, newspapers and magazines.

INNOVATION IN BANKING SECTOR IN INDIA

The banking sector has seen lot of changes in the past few years. Almost every bank has begun to take an innovative approach towards it, with the aim to create more value to customers. With the help of information technology (IT) new innovation in the product design and their delivery in the banking and finance industries become possible. New technology gives a chance for banks to build new systems that can address a wide range of customer needs, which was not possible yesterday. Banking philosophy has been totally changed by the technology associated with financial innovation and it turned into more stiff competition. Competitive environment create more innovation in the banking the field of product, process and market. Now days, we have electronic payment system along with the currency notes. Banking and financial sectors are moving towards a scenario, where it can have new instruments along with liquidity and safety

In the recent times there has been a drastic technological up gradation in the banking system due to IT modernization. The technological innovations in the banking sector during 2022 can be briefly explained as follows:

Following are the major innovation bought in the banking field:

Debit Card: Debit card is a plastic card which can be used as an alternative way of making payment when purchases. It allow for instant withdrawal of cash, and acting as am ATM card for withdrawing cash. Funds are withdrawn directly either the bank account or from the remaining balance on the card.

Credit card: It is similar like Debit Card but it is little bit different. Credit card entitling its holder to buy goods and services based on the card grants a line of credit to the user from which the user can borrow money for payment to a seller (merchant) or cash advance to the user.

E- Banking: Traditional methods used by the banking sector in order to provide services to their customers include physical presence of account holders in branches of banks but after the internet innovation in banking sector e-banking came into the development by speedy and convenient services. After the introduction of e- banking to their customers, such as opening accounts, transferring funds and electronic bill payment became very easy and quick. E-banking services are delivered to customers through the internet and the web using hypertext markup language

Internet Banking: Internet banking, also known as net banking or online banking, is an electronic payment system which enables the customer of a bank or a financial institution to make financial or non-financial transactions online using the internet. This service gives customers online access to almost every service provided by a bank, which is available through a banks local branch including NEFT/RTGS fund transfer, deposits and online bill payment. It can also have accessed by any individual who has registered for online banking at the branch where they hold an account

Electronic clearance service (ECS): ECS is a retail payment system that can be used to make bulk receipts/payments of a similar nature especially where each individual payment is of a repetitive nature and of relatively smaller amount.



It is prepared to facilitate companies and government departments to make/receive large volumes of payments rather than for funds transfers by individuals.

Cheque Truncation System (CTS): It is essentially means that instead of sending the cheque in physical form by the collecting bank to the paying bank, an electronic image of the cheque is transmitted to the drawee branch for payment through the clearing house, thereby it can eliminate the cumbersome physical presentation of the cheque to the paying bank, which results in saving in time and costs involved in traditional clearing system. DEMAT Account It is the abbreviation for Dematerialized Account, is a type of banking account which dematerializes paper-based physical stock shares. It is used to avoid holding physical shares.

Magnetic Ink Character Recognition (MICR): MICR is a character recognition technology used primarily by the banking industry to facilitate the processing and clearance of cheques and other document. The MICR encoding, called the MICR line, is located at the bottom of a cheque or other voucher and typically includes the document type indicator, bank code, bank account number, cheque number and the amount, plus some control indicator. The technology allow MICR readers to scan and read the information directly into a data collection device.

Kiosks: It is a small, free-standing physical structure that displays information or provides a service to user. It can be unmanned or manned, and unmanned kiosks can be non-digital or digital. Information Kiosks can now also provide services such as passbook printing, providing loan quotes, standing order maintenance, document scanning and statement printing.

Mobile Banking: Mobile banking facility is an extension of internet banking with recent developments in cellular technology handset designs and mobile software; this is a trend which has already caught the attention of the majority of banks. The banks in association with the cellular service providers offer this service. For this service, mobile phones should either be SMS or WAP enabled The account that can travel with you.

ATM: ATM stands for automatic teller machine. It is one of the most widely used electronic channels of the banking sector. Its working is controlled by machines through which customers can make withdrawals, check balances and can even deposit their money into their account without going to the bank and this becomes possible only through an ATM

RTGS: RTGS stands for real - time gross settlement systems; it is an electronic method of fund transfer. In this funds transfer funds 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.

Rural Banking: Traditionally used to serve the financial needs of the people living in rural areas, the main aim of developing rural banks was to help rural people to improve their living standards and provide them with a loan facility. These banks were set up on the recommendations of the Narasimhan working group during the tenure of Prime Minister, Indira Gandhi's government with a view of developing rural areas

NRI Banking: This facility is designed in order to serve banking need of NRI which are spread over the globe. The various types of account facilities provided by the NRI banking are NRE (Nonresident External Account), NRO (Nonresident Ordinary Account), and FCNR (Foreign Currency Nonresident Accounts). They provide facilities like remittances, savings, earnings, investments and repatriations to NRIs. This account was governed by exchange control regulations, which stand as FEMA Act. This facility is designed for diverse banking requirements of the vast nri population spread across the globe.

Plastic Money: Plastic money is also known as polymer money. It is a general term given to all types of bankcard which include debit card, credit card and smart card. Moreover, it is one of the best alternatives to cash or currency as it is convenient to carry and handle and acts as the most convenient mode of payment for goods and services.

Any Branch Banking: Any Branch banking (ABB) is another facility given by banks to their customers so that they can operate their bank accounts from any of the other network branches of the same bank It is a facility for customers to operate their account from any of the same banks network branch



Corporate Banking: It is also known as business banking, refers to the aspect of banking that deals with corporate customers.

Service includes: Over draft, domestic & international payment, funding, channel financing, letters of guarantee, working capital facility, international trade.

Digital Wallet: It refers to an electronic device that allows an individual to make electronic transactions. It can include purchasing items on-line with a computer or using a smartphone to purchase something at a store. An individual's bank account can also be linked to the digital wallet.

CONCLUSION

After a number of technological innovations, the overall Indian banking sector has emerged as a very huge firm banking industry in the entire world not only in terms of capital but also in terms of building and retaining customers. Banks are experiencing sophisticated technological innovations, transparent and efficient systems. It is a good character in terms of cost cutting, speed and making fast transactions, but it is observed that in recent days' complex problems are faced by banks such as cyber-attacks, frauds, server problems etc. The sophisticated and standard of services to the customer will be continuously improved with new innovations in product and services. The key challenge in the digital age is to guarantee that all customers are protected against cybercrime, and that the most exceptional cybernetic values are utilized. The change to digitalization and its congruity ought to serve to reduce costs for the business, since this will reduce work and robotize the system. Thus, it is rightly said that innovation led to "conventional banking to convenience banking" and "mass banking to class banking" especially in developing economies like India. The Indian banking sector is growing very well its customer base also increased dramatically. The growth of the Indian banking sector become possible due to various reasons like political support for the banking sector development, new innovations, new value added services offer by the banks. The demonetization step of the government enforced the people to use the banking system as well as digital banking services. Nowadays, the new technology is sure that the future of banking will introduce more offers and services to the customers with the best banking product and innovations. Banking sector has also increased the accessibility of a common person to bank for their productivity and requirements. The Indian banking sector has improved the new Technology. The innovative banking technology changing reforms have changed the face of Indian banking. The banking system has improved the manifolds in terms of product and services, banking system, technology, trading facility etc. it is the evident that the banking system has grown in India to compare with other country. Further, the bank comprehends their customer and bank will be meeting their requirements. The Indian Banking Sector provides better services with other developed banks.

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