

Recent Innovations In Indian Banking Sector

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Abstract

The banking sector plays a significant role in the development of a country's economy. The development of the banking sector depends on the services they provide to customers from different angles. New competitors into the market, new business models, changing customer expectations and the breakdown of traditional services are all pushing traditional banks to launch new technology in their operations. The revolution in the banking sector led to the introduction of Automated Teller Machines (ATM's), Cash Deposit Machines (CDM), Debit cards and Credit cards, Cheque Truncation System (CTS), NEFT (National Electronic Fund Transfers), RTGS (Real Time Gross Settlement), Mobile banking, Internet banking etc. However technological advances around the world have created pressure to use better technology in the banking sector. This paper highlights the diverse innovative products and services offered by Indian banks. The quoted figures are taken from secondary sources. Finally, this paper makes a critical analysis of the acceptance and acceptance of these innovations by banking customers. Primary data were used for this analysis. This paper is detailed in nature and aims to illuminate the knowledge of the readers.

Keywords: Indian Banking, ATM, Plastic Money, Fund Transfers, Mobile Banking, I – Banking.

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1. INTRODUCTION

The banking system in India has reached an outstanding position. The Indian banking sector has undergone many changes over time. In the 1990s, the banking sector in India placed a high priority on technology and innovation. Banks have started using technology to provide faster services. Internet banking and mobile banking have become convenient for customers to do their banking from geographically diverse regions. Now all banks started with the concept of multi-channels like ATMs, plastic money (credit cards, debit cards), mobile banking, internet banking and call centers. Different financial services under one roof that act like a financial supermarket. Intense competition between banks has redefined the concept of the entire banking system. Banks are not only inviting, they are looking for innovative ways to retain customers and enhance the competitive advantage over their competitors.^[1]

2. Banking System in India

The Reserve Bank of India was established in 1935 as the Central Bank for the regulation and direction of banks in India. Reserve Bank of India Divides Commercial Banks into Public Banks, Private Banks and Foreign Banks II Schedule RBI Act 1934. ^[2]

India has so far 12 public sector banks, 22 private sector banks, 56 rural banks, 44 foreign banks, 1485 urban co - operative banks and 96,000 rural co - operative banks. It is planned to increase these from 209110 by August 2020 to 407000 by 2021.

[Source: Indian Banking Industry Report (January, 2021)]

2. Evolution of banking:

Phase - I:

The first phase was from 1786 to 1969. Establishment of banks was slow during this period. The Banking Act was enacted in 1949. This has been very helpful in improving banking performance and management. At this stage people have very little faith in banks and most of them follow post office deposit.^[3]

Phase - II:

The second phase lasted from 1969 to 1991. Many decisions have been made in this area. In 1969, 14 banks were nationalized. The Credit Guarantee Corporation was set up in 1971 to provide loans for people to set up businesses. Despite the nationalization of banks, development in rural areas has not improved much. However, regional rural banks were set up in 1975 on the recommendation of the Narasimhan Committee for rural development and lending. ^[4]

Phase - III:

Phase 3 started after 1991. At this stage a variety of decisions were made to provide quality services to the people. New strategies have been implemented to keep pace with the changing times such as cash payments, online policy, ATM, net banking and mobile banking. Banks are trying to make their financial transactions easier and faster for consumers,^[5]

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3. Review of Literature:

Sanchita Sikka and Upadrasta Venkata Srinath said "Innovations in Banking Products and Services" and emphasized the circumstance that banks crucial to effect technology to provide suitable and cost effective facilities in order to have more customer holding rates. They determined that the forth coming day's growth will be in corporate finance and retail banking with Innovative products backing them.

Madhura Ayachit studies "Information Communication Technology Innovation in Indian Banking Sector: Trends and Challenges" with a goal to study the emergent technology in the Indian banking sector and ICT innovation. They said the technology must adapt to maintain market share and receive customer expectations against increasing competition.

Sandeep Kaur studied "A Study on The New Innovations in Banking Sector" in order to high point the new innovations in the banking sector on national and international level banks. Sandeep Kaur concluded that in order to endure in the new E-Economy banks essential to provide services over internet and with the latest technology.

T. Uma Maheshwari Rao and L. Himawati noted in review the importance of the Internet in providing banking services worldwide and its importance in the Indian perspective. Banks are continuing their operations electronically while changing themselves to effectively counter the current competition. This alteration indicate to regular banking to online banking, allowed customers to conduct online, although saving on various factors. Normal Banking events still overcomes in developing countries like India.

4. Objective of the study:

- To explore the innovations of banking sector in India
- To analyze the challenges to implement the innovations in banking sector.
- To know the customer perception towards implementing the innovative technology in banking.

5. Research Methodology:

This research is descriptive one. Finding and conclusions of the study is based on primary and secondary data during the course of action. The primary data was collected from 90 male and 60 female. Total sample size for primary data was 150. We had gone through the academic literature of Indian banking sector and also various sources of secondary data were used for the study.

6. Banking innovations:

Over the past few years, the banking sector in India has undergone many changes. Many banks have started adopting an innovative approach towards banking with the aim of creating more value to the customers. Information technology has led to new innovations in product design and their distribution in the banking and finance industries. The financial revolution with technological changes completely changed the banking outlook and it was additionally tuned in with the hostility in the banking industry. Challenging the business environment in the banking system creates more innovations in the product, process and market sectors. Today, there is an electronic payment system along with currency notes. The financial sector is moving in the context of having new tools along with liquidity and security. Significant developments in the new era of payment systems in

India:

- The entrance of plastic money is 1980s and early 1990s
- The arrival of ECS (Electronic Clearing Service) is 1990s
- The introduction of online fund transfers is 2000
- The RTGS (Real Time Gross Settlement) was introduced in 2004.
- The NEFT (National Electronic Funds Transfer) was in between 2005-06
- The introduction of CTS (Cheque Truncation System) was in the year of 2008.

Banks around the world are moving strategically on a technologically large scale for development. This allows them to maintain market share against increasing competition and receive customer expectations.

There is need to develop new innovations and new solutions by pleasing the benefit of data, innovative analytics, digital technologies and new distribution platforms. In 2019, the banking industry will be innovative in various fields and will have features and practices that will be the trademark of fintech startups.

Banks and credit unions are rapidly innovating by targeting, expanding, actively advising, restructuring delivery channels, integrating payments and using block chain technology. The following are the most innovative in 2019.

6. Digitalization

Digital services are essential in banking operations as technology advances rapidly and technology becomes an integral part of people's lives. This is because it is imperative to provide their services in favor of the people and to adopt new policies. In India, the early stages of digitization began in the 1980s. Core banking solutions have also been adopted to perform basic functions such as customer service, bookkeeping, etc. to improve information technology and gradually customer experience.

Many changes took place in the 1990s with the entry of the Indian market into the global market through liberalization. Private and international banks have brought new technological changes in the banking sector. Customers can avail banking facilities from anywhere such as Net Banking, IMPS (Instant Payment Service), NEFT (National Electronic Fund Transfer), RTGS (Real Time Gross Settlement), Telebanking.

7. Mobile Banking:

Even though digital services have been in place for less than ten years, all operations are done on your computer desktop. This is only possible if the customer is at home or in an area with a computer or internet connection. However, with the increase in smartphone usage, mobile banking has gained momentum. Low data charges also contribute to their use.

8. Unified Payment Interface (UPI)

UPI is online policy that has been established over the last 4 years and has revolutionized the way cash payments and cash receipts are made online.

Transactions can be completed in a matter of seconds using the interface. With the availability of services like PhonePay, GooglePay, BHIM, WhatsAppPay, etc., you can

easily do things online without any physical cash.^[6]

9.Black chain

Black chain is a powerful technological weapon that is still under development. Security is a major issue for online services. Despite the advancement of technology, online scams continue to occur. Black chain is a good approach to deal with such issues. Technology works on computer science, data structures and cryptography.

10.Artificial Intelligence:

Many private banks and nationalized banks have started to use robots to support the customer services. It is still in starting

12.Analysis

The important results of this analysis are presented over the following charts.

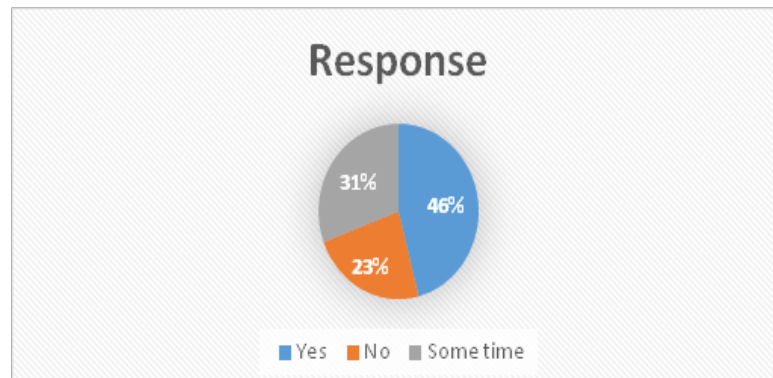
1. Users of Online Banking / Net Banking

stage. But it is sure to develop and become too accessible to the general public in near future.

11.Fintech Companies

As banks move towards digitization, fintech has entered the field. Fintech goes a step further and makes them paperless, less existential and cashless. Fintech companies specialize in developing technologies that help companies manage the financial aspects of businesses, such as new software, applications, processes, and business models. Investment in Fintech companies has grown over the past decade, making it a multi-billion dollar industry worldwide.

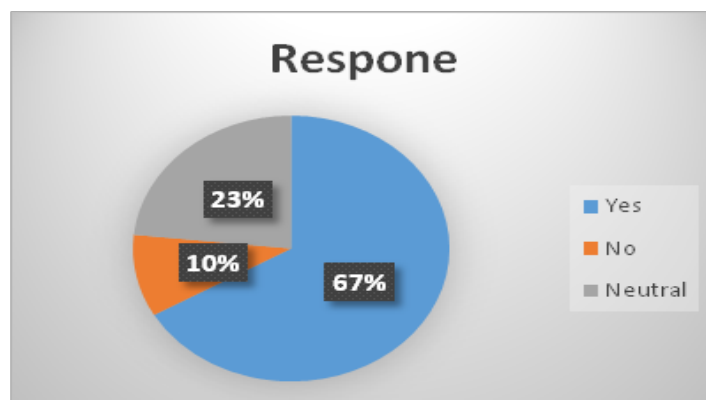
Gender / response	Yes	No	Some time	Total
Male	52	17	21	90
Female	17	18	25	60
Total	69	35	46	150



The above chart said that, 46% out of them were often used online services provided by their banks, and 31% of people use facilities some time and 23% said that they do not use banking online services.

2. Do you believe that technology-based banking service and online banking have increased banking service efficiency?

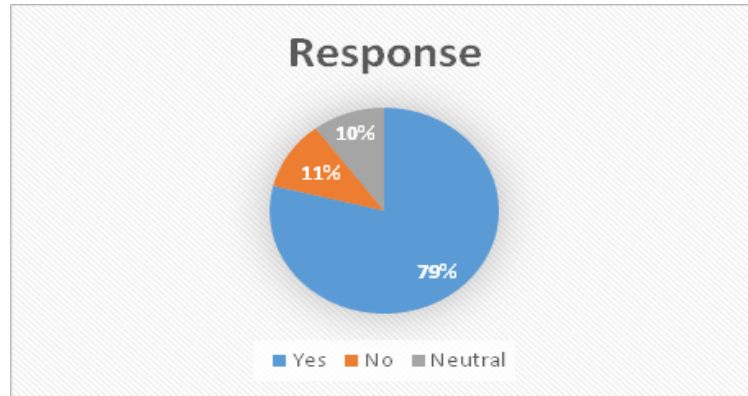
Gender / response	Yes	No	Neutral	Total
Male	65	10	15	90
Female	35	5	20	60
Total	100	15	35	150



In the above result said that around 67% believe technology based banking and modern banking services have improved the customer services and banking efficiency. But 23% of them did not respond. Only 10% were said that customer services not improved.

3. Banks can improve the level of customer service and bring their customers closer to the bank by adopting new technology.

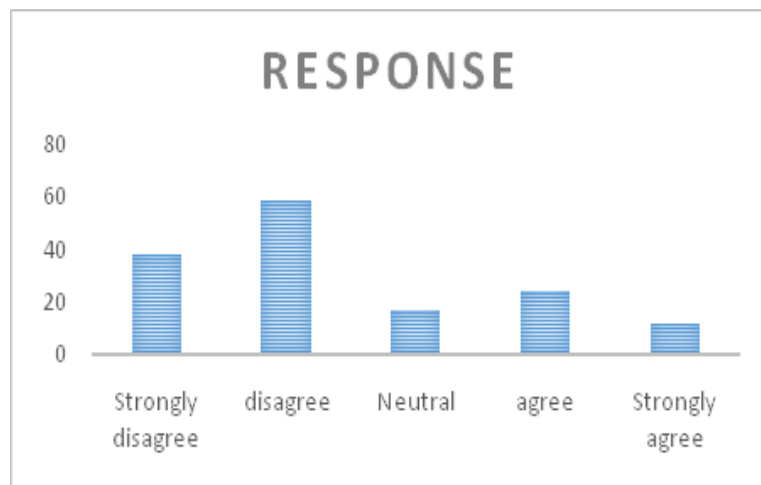
Gender / response	Yes	No	Neutral	Total
Male	69	13	8	90
Female	47	3	10	60
Total	116	16	18	150



Approximately 80% people that, by adopting new technology banks can improve the level of customer service and bring their customers closer to the bank. It clarifies that, the new improvement; 24/7 online banking, efficient banking services, easy fund transfer, net banking, online operations etc. bring customers closer to the banks. Consequently, it satisfies the customers.

4. The costs of banking service are lower than before

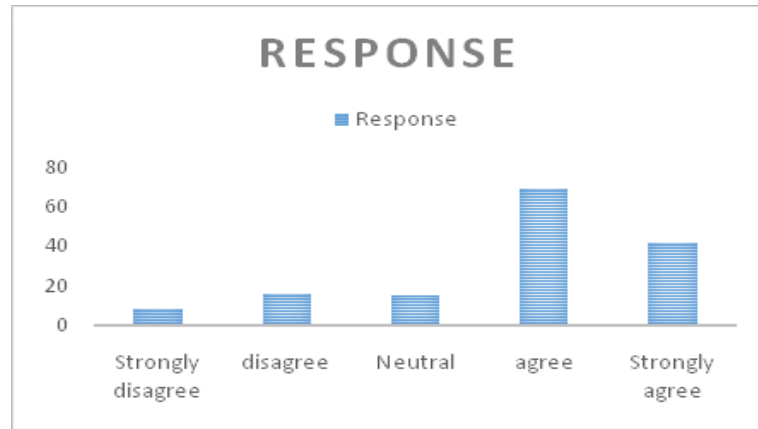
Gender / Response	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
Male	23	32	15	13	7	90
Female	15	27	2	11	5	60
Total	38	59	17	24	12	150



Here suggest that a large number of people do not think that the costs of accessing online or technology-based banking services are higher than ever before. Now a day customers can do their banking almost everywhere. Now they can get cash, send money without going to the bank but they have expenses for every facility. Many believe that costs have risen more than ever before.

5. Internet technology offers better opportunities to establish a unique strategic position compared to other traditional banking services.

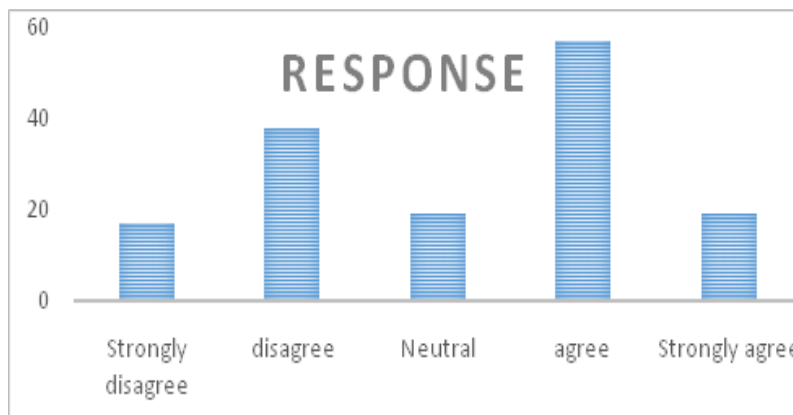
Gender / response	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
Male	3	10	14	34	29	90
Female	5	6	1	35	13	60
Total	8	16	15	69	42	150



It revealed that the majority of customers believe that Internet technology-based banking provides better services.

6. Increase customer service, satisfaction and reduce costs in the banking sector through technological innovation and implementation

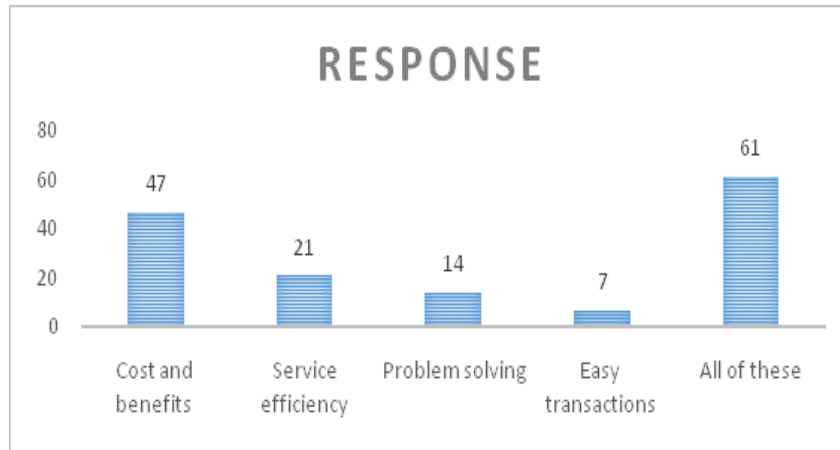
Gender / response	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
Male	10	20	16	34	10	90
Female	7	18	3	23	9	60
Total	17	38	19	57	19	150



The above result revealed that, around 50% respondents said, technology determined banking has increased customer services. Out of that 30% did not agree with the statement and 12% did not comment neither disagree nor agree.

7. Which of the following would be your first priority when you think about banking services?

Gender / response	Cost and benefits	Service efficiency	Problem solving	Easy transactions	All of these	Total
Male	29	14	11	5	31	90
Female	18	7	3	2	30	60
Total	47	21	14	7	61	150



Out of that, 40% of respondents said it wants all the benefits mentioned in the table. However, the main focus should be on reducing costs and providing greater benefits.

13. Challenges in Banking Sector

India's banking sector has made rapid progress in restructuring and is adapting to the new competitive business environment. The major challenges facing banks today are how to manage with competitive services and how to strengthen their balance sheet. These days, banks are burdened with NPAs. Those challenges were as follows:

13.1 Higher operational costs

The foremost worry before the banking industry is higher operational cost for carrying NPA's in their books. This increase has put pressure on the operational capacity of banks and the accumulation of non-performing assets (NPAs) in their credit portfolios.

13.2 Supervisory pressure

Supervisory requirements endure to increase, and banks essential to spend a huge part of their flexible budget on being obedient, and on building systems and procedures to save up with the escalating requirements.

13.3 Technological up gradation

Currently electronic transfers, clearings, and bases reduce translation time. Banks need to grasp the technology and upgrade their services to face the competition.

13.4 T revolution

Indian banks are under severe pressure for performance, otherwise their survival is in jeopardy. As the banking system moves towards virtual banking, the application of IT and e-banking will become a daily routine.

13.5 Intense competition

The Reserve Bank of the India and the Government of India

have set aside the banking industry open for participants from private sector banks and foreign banks. In line with the recommendations of the First Narasimham Committee, the Indian banking sector was introduced to the competition when access was restricted and domestic and foreign banks were allowed to expand their branch networks. A lot of new players like private banks, foreign banks, non-banking finance companies (NBFCs) etc. arrived the market due to these reduced entry barriers. Foreign banks and new private sector banks led the high-tech revolution.

14. Conclusion:

The ongoing technology revolutions around world and the increasing competition among players have led to the transformation of the Indian banking sector. Many public sector banks as well as public sector banks have already adopted technological innovations in their business practice. The Indian banking sector has developed, but customers of banking services have not yet fully followed the new path of banking. Over time, awareness among banking customers improves, leading to a better acceptance of the new type of banking. The future of the Indian banking sector is bright as more and more people are reaping the benefits of innovation in this sector.

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