International Journal of Academic Research
ISSN: 2348-7666; Vol.7, Issue-2(2), February, 2020
Impact Factor: 6.023; Email: drtvramana@yahoo.co.in

# The future of Banking Innovations -Top five innovations transforming digital banking in India

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**ABSTRACT**
India, A pioneer in secured banking system under the regulatory body of RBI; the technology, customer orientation and usage through m-banking, internet banking and ATMs has a shift of modern banking system; the global bankers' role increased an attention of corporate and tech-fin customer's, leads innovations in banking sector. RBI also gives priority for touch of creativity, secured peer-to-peer transactions, and the new monetary policy about an important for innovations in banking. New transformations, robo advisors and open APIs to block chain technology, Big data analytics and Peer-to-peer lending are exploring new technologies and business models that can help them compete in the digital age of banking. These transformations and changes can include modernized technology, risk management, risk transfer, credit and equity generation, as well as many other innovations. Recent financial innovations have included crowd funding, mobile banking technology, and remittance technology.

**Keywords:** Banking, Innovation, Robo Advisors, APIs, Blockchain Technology Bid Data analytics, and peer-to-peer lending.

## INTRODUCTION

The future of the banking industry will depend on its ability to leverage the power of customer insight, advanced analytics and digital technology to provide services that help today's tech-savvy customers manage their finances and better manage their daily lives. Fintech refers to non-traditional financial offerings such as PayPal, Zelle and Venmo in the U.S.; digital-only Starling Bank, Monzo and Revolut in the U.K; and Paytm, Paytm Money, PhonePe, MobiKwik, PayU, ETMoney, PolicyBazaar, LendingKart, Freecharge, Mswipe, ezetap, LoanTap, Billdesk, FINO PayTech, Capital Float, and Pine Labs. Techfin companies include Google, Amazon, Facebook and Apple (GAFA) in the U.S. and Baidu, Alibaba & Tencent (BAT) in China.

## TRANSFORMATION OF BANKS INTO DIGITAL AGE

1. **Blockchain:** Blockchain works by using a network of computers, all of which must approve a transaction in a chain of computer code. It can be used to securely store client identities or handle cross-border payments. It could even lead to 'smart contracts' that complete trades and deals automatically. What's more is a report from Santander InnoVentures suggests that blockchain technologies could save banks as much as $20 billion in infrastructure costs by 2022.

**2. Robo advisors:** Robo advisors are already on the market that can handle virtually every aspect of investing. From organising a customer's debt, tax affairs and financial planning to tailor investment portfolios, robo advisors are making finance management easier and more accessible. Robo advisors are also catering to a gap in the market – traditionally, expert financial advice has only been made available to the wealthy. Robo advisors can help small investors without the steep cost of face-to-face advice. The technology isn't universally good news for customers though. Bank of Merrill Lynch also estimates that there could be a $9 trillion reduction in employment costs due to AI-enabled automation of knowledge work by 2025.

**3. Open APIs:** Open API models enable trusted partners to build new customer interface layers and innovate new and exciting products and services on top of a financial service provider platform. Open APIs help to foster an ecosystem for banks, software developers and account holders, enabling banks to innovate and extend beyond their traditional service offering. As well as promoting innovation, open APIs also encourage financial transparency – and have been linked to reducing corruption as well as improving trust and accountability. In the UK, the government is endorsing the development of an open API standard to be adopted by the country's banks and be made publicly available to start-ups.

**4. Big data analytics:** Big data analytics is all about exploring the value of data – and from risk and regulatory data management to compliance, banks are doing just that. Customers expect a more personalised service from their banks, and big data analytics is also helping banks to tailor products to the individual needs of their customers.

**5. Peer-to-peer lending**: It is fair to say peer-to-peer (P2P) lending isn't the traditional banking sector's favourite innovation. P2P lending directly connects borrowers – including individuals and businesses - to lenders. Using the latest technology, these platforms are popular for their speed and convenience, as well as the fact they often bypass regulation and can therefore offer better rates of interests. P2P cuts out the middlemen: banks and other financial intermediaries. At the same time, however, it can also expose users to greater risk – by lending directly, savers do not get the same protection as putting their money into a bank account.

## DIGITAL TRANSFORMATION SHAPING INDIAN BANKING INDUSTRY

Banks and financial institutions are and can correctly make use of facts to provide custom-made products and offerings to shoppers in actual time. In the new data-driven world, success of a company depends on its capability to fuel data-driven innovation via modernizing the IT and most importantly through bringing the power of the cloud to each section of the commercial enterprise and help them have a impervious hybrid multi-cloud experience. A hybrid multicloud environment helps the organization to proceed to use their robust technology frameworks while leveraging the modern applications in the areas of Machine Learning, Artificial Intelligence (AI) and other contemporary fintech applications which are born in the cloud. New statistics roles and technologies are being used to manipulate challenges in the records safety and compliance. The finance sector has outlined a blueprint for technology adoption with a proactive strategy to use AI to leverage the power of data. AI techniques are being applied to unstructured data sources to derive critical investment and risk indicators in shorter timeline than traditional methods.

**Electronic Channels:** Branches, BC Channels, Call Centre, Internet, ATMs, Digital Banking, Mobile Banking, Phone Banking, Point of Sale and Apps.
**Value Gained**: Insurance, Loans, DBT, Digital Wallets, Payment Gateway, Remittance, and Cash Management.

## ENGAGING THE 2020 CUSTOMER

"Digital footprint" will be the way forward for all PBs. How well PBs engage in coopetition with Fintech startups playing in emerging technologies will determine how they can differentiate in an increasingly crowded market that will likely see high customer churn. The success of these Banks will largely depend on the customer base they target, adapt to, and the types of alliances PBs form. Therefore, judicious selection of partners, e.g., partners with similar brand values, for scaling their businesses is key to ensuring the success of these new age Banks.

## DISCUSSION

In India, digital wallets are increasingly replacing cash for purchases and payments, especially for mobile phone recharge, DTH service plans recharge, utility bills, transportation services, and even for online money transfers. Blockchain improves the security, robo advisors increases the markets, Open API enable trusted partners to build new customer interface layers, big data analytics are accessing that data, which very often is found in large disparate systems. Investment is growing fast in big data solutions with global spending on big data technology expected to surpass $46 billion by the end of 2016, according to Research and Markets. So despite the rise pf P2P platforms in the global market over the last few years, banks will be pleased to know it won't pose a major threat to their industry just yet. According to a report from Deloitte earlier in the year, P2P lenders will only account for 6% of the lending market by 2025.

## CONCLUSION

Innovative technologies such as Chip-based cards and SMS-based OTP have helped the banks to implement security controls to mitigate traditional cyber risks. However, as the technology has evolved, attack vectors have also become more sophisticated. Questions are now being raised on technologies that were previously thought as secure. We are only as secure as our weakest link. Looking at cyber threats in isolation, severely limits our ability to understand the complete impact of cyber risk. There is a need for enhanced cyber risk assessment framework and testing methodology to continuously detect and protect against evolving cyber threats. While being secure is more important than ever, there is a need to also be constantly vigilant and resilient in face of evolving cyber threats.

## FUTURE STUDY

Indian banking has an innovation to boost secured transactions, needed a high techfin and fintech operations using upgraded technology; one touch, voice based transactions, Schedule OTP, free overdraft limit based on CIBIL scores are the future trends of banking. It is a need to study on cyber secured and to reduce fraudulent activities;

Evolving digital technologies, shifting consumer preferences and increasing competition are creating new challenges for banks. The E7 countries China, India, Brazil, Russia, Mexico, Indonesia, Turkey; and G7 countries US, Japan, Germany, UK, France, Italy, Canada are highly focused on Innovative banking system.

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