



Modern Trends in Banking and Financial Services in India

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Abstract: In financial sector the banking industry is the largest player and the banking sector plays a vital role in the development of one country's economy of an individual as well as a nation. Nowadays banking sector acts as a backbone of Indian economy. Banks have control over a large part of the supply of money in circulation. Today the banking industry is stronger and capable of withstanding the pressures of competition. The growing modern trends of banking services are found significant after the new economic reforms in India. The banks have shed their traditional functions and have been innovating, improving and coming out with new types of the services to cater to the emerging needs of their customers. It also reflects the various reforms were caused to improve their services to satisfy the customers. The paper attempts to present the emerging trends and its challenges that recently emerged in the banking sector with special emphasis on digitalization.

Key words: Financial sector, banking industry, recent trends, technology and digitalization.

Introduction

The banking industry and financial institutions are vital sectors of any economy. Development of these two sections of the economy can impact the growth of the country in an incredible way. In the era of "Digital India", the banking and financial services in India have undergone a massive evolution and the phenomenon continues. The banking system in India is significantly different from other Asian nations because of the country's unique geographic, social, and economic characteristics. The change can be attributed to various components like new regulatory policies and customer expectations. The changes in the form of technology reflected in the structure, size, and diversity of the country's banking and financial sector. Digitalization in banking industry essentially means making banking smooth and seamless for the customers. The biggest advantage of digital channeling in banking is its ability to provide new propositions and customer specific business models by analyzing this banking pattern which explores the customer value to the maximum.

Banking technology

The Indian banks are subject to tremendous pressures to perform as otherwise their very survival would be at stake. Information technology (IT) plays an important role in the banking sector as it would not only ensure smooth passage of interrelated transactions over the electric medium but will also facilitate complex financial product innovation and product development. The application of IT and e-banking is becoming the order of the day with the banking system heading towards virtual banking. Information technology provides services like internet banking, electronic payments,



security investments, information exchanges. Now banks can provide more diverse services to customers with less manpower.

Modern trends in banking sector

- **Automatic Teller Machine (ATM):** Automatic Teller Machine is the most popular device in India, which enables the customers to withdraw their money 24 hours a day 7 days a week. In addition to cash withdrawal, ATMs can be used for payment of utility bills, funds transfer between accounts, deposit of cheques and cash into accounts, balance enquiry etc.
- **Tele Banking:** Tele Banking facilitates the customer to do entire non-cash related banking on telephone. Under this device Automatic Voice Recorder is used for simpler queries and transactions.
- **Electronic Clearing Service (ECS):** ECS is an *electronic* method of fund transfer from one bank account to another. It is generally used for bulk transfers performed by institutions for making payments like dividend, interest, salary, pension, etc.
- **Electronic Funds Transfer (EFT):** EFT is *electronic transfer of money* from one bank account to another, either within a single financial institution or across multiple institutions, via computer-based systems, without the direct intervention of bank staff.
- **Real Time Gross Settlement (RTGS):** (RTGS) is the continuous process of settling payments on an individual order basis without netting debits with credits across the books of a central bank (e.g., bundling transactions). Once completed, real-time gross settlement payments are final and irrevocable.
- **Point of Sale Terminal:** A *point of sale terminal* (POS *terminal*) is an electronic device used to process card payments at retail locations. A POS *terminal* generally does the following: Reads the information off a customer's credit or debit card. Checks whether the funds in a customer's bank account are sufficient.
- **Cash Dispenser:** A *cash dispenser* is a machine built into the wall of a bank or other building, which allows people to take out money from their bank account using a special card.
- **Bank net:** Bank net is a global network operated by MasterCard that facilitates authorization of credit card transactions from almost any point in the world. Bank net is one of the world's largest global telecommunications networks. It links all MasterCard members and data processing centers into a single financial network.
- **Chip Card:** A *chip card* is a standard-size plastic debit card or credit card which contains an embedded microchip as well as a traditional magnetic stripe.
- **Phone Banking:** Phone banking is a service provided by a bank or other financial institution that enables customers to perform over the telephone a range of financial transactions which do not involve cash or financial instruments, without the need to visit a bank branch or ATM.
- **Mobile Banking:** Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct financial transactions remotely using a mobile device such as a smartphone or tablet.
- **Internet Banking:** Online banking, also known as internet banking or web banking, is an electronic payment system that enables customers of a bank or



other financial institution to conduct a range of financial transactions through the financial institution's website.

- **Electronic Payment Services – E Cheques:** An electronic version or representation of a paper cheque. The account holder writes an e-check (or e-cheque) using a computer or other type of electronic device and transmits the e-cheque to the payee electronically. Like paper cheques, e-checks are signed by the payer and endorsed by the payee.

Conclusion

The banking sector has embraced the use of technology to serve its client's faster and also to do more with less. Technology has changed the accounting and management system of all banks. And it is now changing the way how banks are delivering services to their customers. In the days to come, banks are expected to play a very useful role in the economic development and the emerging market will provide ample business opportunities to harness. Today's banks are facing the challenges of tightening budgets and continuous demands to reduce costs while handling the constant stream of new regulations. They are also under immense pressure to meet the increasingly complex demands of the real-time, digital customer. Technology is inevitably playing a core role in banking sector.

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