

## **Recent Trends In Banking and Financial Sector**

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**Abstract:** Banking industry is considered as the largest player in the financial sector is witnessing path breaking reform measures and has also been undergoing a major and metamorphic change. The growth of banking sector invariably depends upon the services provided to the customer by them in various aspects. Today the banking industry is stronger enough to withstand the pressures of competition. India has got a well-developed banking system with different classes and categories of banks such as public and private sector bank, foreign and regional rural banks and co-operative banks. Reserve Bank of India is considered as the main foundation head of the banking system. Considerable changes have taken place in the banking industry since 1969. Due to changing scenario bank role is not limited to just lending and borrowing, rather they are giving more attention to expanding their activities like leasing, electronic banking etc. By using the recent technological trends banks are changing their working and technology. Considerable innovation and diversification can be noticed in the business of major commercial banks resulting in the deepening and widening of the financial infrastructure and transferring the fundamental character of class banking into mass banking. The rise of internet banking, mobile banking and Fintech companies are some of the examples of emerging trends in the banking and financial sector.

**Key words:** Banking sector, financial sector, recent trends, banking industry

Gel Code: G2, G21

**Introduction:** In India banking sector is always considered as one of the most preferred domains regarding employment. The Indian banking system is different from other Asian countries because of its distinct geographic, social and economic characteristics. Banking sector as an authority can hold the financial asset and can create more wealth by regulation of those activities through government agencies. As future is full of challenges and chances of survival are less due to globalization and liberalization the banks are forced to think in terms of technology, benefits and quality services to customers. Information and technology play a very important role in the transformation of the banking industries in terms of transactions which in turn help processing various other internal systems.

Banks are using various different technologies and with the diversification of their activities they are now giving into new products and services like consumer finance, life and general insurance, mutual funds, investment banking, stock broking services, credit cards etc. Interbank transactions have been changed over the years. Banking through electronic channels is a new trend in the recent years. This new system is popularly known as e-banking. It provides various alternative to a wider range of customers for faster delivery of banking services through various electronic channels or devices at their office or home.

Banking sector has the potential to account for over 7.7 of Gross Domestic product (GDP) and to provide over 1.5 million jobs. In India banking sector consists of 12 public sector banks, 22 private banks, 45 foreign banks along with 45 regional rural banks, 1562 urban co-operative banks and more than 94,300 rural co-operative banks. As technologies continue to evolve, the

banking sector will continue to accelerate its investments in innovation and digital enhancement. Ultimately, the consumer will be the front and center.

## REVIEW OF LITERATURE

A review of existing literature reveals the recent trends in banking and financial sector.

1) **Mohan(2006)**, in his article title “Information Technology in Indian Banking” mentioned that Indian Banking is at the threshold of a paradigm shift and a significant development has been achieved by banks in offering a variety of new and innovative e-banking services to consumers today, which was not thought of before.

2) **Prabha Singh(2018)** in her article “Recent Trends and Development of Banking System in India” stated that the financial sector reforms have brought about significant improvements in the financial strength and the competitiveness of the Indian Banking System. In the years to come e-banking will not only be acceptable mode of banking but will be preferred mode of banking because of the computerization process adopted by banking sector.

3) **Dr. HemaJagathi(2019)** stated in her article ‘Emerging Trends in Financial Service Sector and its Implications’, in a global financial landscape that is constantly changing and innovating the financial sector is also raising to the challenge of providing convenient flexible product that allow the clients to take control of their financial future.

## OBJECTIVE OF THE STUDY

- 1) To overview the history of banking sector
- 2) To examine role of banking sector in India
- 3) To study recent trends and technological developments in the banking and financial service sector

## RESEARCH METHEDODOLOGY

The paper is conceptual in nature. It is based on descriptive analysis and various secondary information sources from various research papers, journals and margins. Data collection was achieved by online website and the data is filtered to improve the quality of the paper. The journal of Internet Banking and Commerce, e-service journal, various issues of RBI and also includes websites of banks.

## **HISTORY OF BANKING SECTOR**

### **The Indian Banking Sector**

The history of Indian banking is divided into 3 main stages/phases

Stage I (1786-1969) Initial Stage- small banks set up

Stage II (1969-1991) Nationalization, regularization and growth

Stage III (1991 onwards) liberalization and its aftermath

The Indian banking sector with the reforms in Stage III is more balanced and mature in product range and supply, banks with strong, clean and transparent balance sheets. Increase in retail credit demand, interest rates spreads, amendments in the Banking Regulation Act, proliferation of ATMs and debit cards are some of the responsible major growth drivers.

## **ROLE OF BANKING SECTOR- INDIAN PERSPECTIVE**

During 2010-11 as compared to the slowdown and global financial crises of 2009-10, banks were in a position to improve their assets quality and profitability. There was hardly any impact on the banking sector of the liquidity and the interest rate shocks. However, there were still some concerns about banking sector stability related to the infrastructure, real estate, retail segment and so on. Presently, the banking industry is working towards to improve the efficiency of their banking operations. Banks are expected to provide customer satisfaction along with reduced

costs and time with the help of new and improved technology, resulting in a significant and remarkable transformation in all the domains of Indian Bank.

## RECENT TRENDS AND DEVELOPMENTS IN BANKING AND FINANCIAL SECTOR

Today, India has got a very well developed banking system with Reserve Bank of India (RBI) as the governing head. Its main aim is to maintain monetary stability in India. It is called the 'Reserve Bank' as it keeps the reserve of all commercial banks. In order to maintain price stability and adequate flow of credit the RBI uses monetary policy. For some time reducing inflation was one of the most important goals.

Growth and diversification was on agenda in banking sector throughout the world. In order to help the customers to avail the best of the services, government opened the door for foreign banks in 1991. It allowed them to start their operations in India and provide different facilities. It initiated the process of providing licenses to new banks. RBI also introduced important policy measures of introduction of Credit Default Swap (CDS) for corporate bonds and deregulation of saving bank deposit rate which will further sharpen the prudential norms and strengthen its supervisor mechanism.

## TECHNOLOGICAL DEVELOPMENT IN BANKING AND FINANCIAL SECTOR

- 1) **Internet:** - With the help of internet, data can be sent and received worldwide at any given point of time. There is no doubt that the banking industry has been greatly impacted by the introduction of the internet. The internet is treated as the global trend which can reduce the time and distance to perform the important transactions. Internet in the banking enables the consumers to manage their savings and save their time. Enquiry about the balance, account statement, payment of bills and many other services is termed as internet in banking.
- 2) **Automated Teller Machine (ATM):**-Automated Teller Machine is the most popular electronic device, operated by the customer itself to deposit or top withdraw cash from bank.

This facility is available to the customer 24 hours a day. ATMs can also be used to pay utility bills, funds transfer and balance enquiry etc. In order to avail the facility of ATM card (plastic card) by the bank with the customer's name on it. Customer's need not have to carry large amount of cash with them all the time, during travelling and can withdraw cash from any city or state thereby reduces the risk of the customers.

3) **Electronic Funds Transfer (EFT):-** EFT is a system of processing the payment through electronic methods. Anyone who wishes to make payment to another person can contact the bank physically and can instruct them to transfer funds to the receiver's account. This service is been provided by RBI and it further encourages all the commercial banks to adopt this technique.

4) **Real Time Gross Settlement (RTGS):-** The RTGS system is operated and maintained by the RBI which helps to faster transfer of funds efficiently. This system was introduced in March 2004 wherein funds transfer of funds transfer between two takes place on 'Real Time' basis. The beneficiary receives the money instantly.

5) **Electronic Payment Services (E-cheques):-** E-cheques are new technology which eventually has replaced the conventional paper cheque. E-cheque work the same way as paper cheques and are a legally binding promise to pay. Because the cheque is in an electronic format, it can be processed in fewer steps and has more security features than a standard paper cheque.

6) **Electronic Clearing Service (ECS):-** ECS is an electronic mode of funds transfer from one bank to another. It can be used by different institutions for making payments such as distribution of dividend interest, salary, and pension among others. It can also be used to pay bill and other charges such as telephone, electricity, monthly installment payments on loan and sip investments. ECS can be used for both Debit and Credit purposes.

7) **Electronic Data Interchange (EDI):-** EDI means the electronic exchange of business documents such as orders, delivery slips and invoices. These documents are exchanged

without manual intervention. EDI can also be used to transmit financial information and payments in electronic form.

8) **Phone Banking:-**One of the most convenient banking services where customer can enjoy the flexibility of time with 24 hours phone banking. With the help of Automated Voice Recorder (AVR) customer can enquire about account balance, transfer funds to another account and can make bill payments anywhere, anytime.

9) **Tele Banking:-** Tele Banking provides 24 hours banking facility to the customer. It's a voice processing based facility, where the computers at bank are connected to a telephone link with the help of a modem. It facilitates the customer to do non- cash related banking on telephone.

10) **Mobile Banking:-** This facility is provided by the bank in association with the cellular service provider. In order to use this facility internet or data connection is must to the mobile device.

11) **Chip Card: -** A chip card is a standard –size plastic debit card or credit card which contains an embedded microchip as well a traditional magnetic strip. The chip card functions in the same manner as past credit and debit cards. There are no additional fees associated with a chip card issuance or transactions.

12) **UPI (Unified Payments Interface):-** UPI is a system that powers multiple bank accounts into a single mobile application, merging several banking features, seamless fund routing and merchant payments into one hood. This fastest and secure payments gateway was developed by NPCI (National Payments Corporations of India). The pilot launch was done by RBI at Mumbai. Through this system immediate money transfer can be done round the clock 24\*7 and 365 days. This system played a significant role in post-demonetization period.

13) **Block Chain:-** It's the new buzzword. Block chain uses technology to create blocks to process, verify and record transactions, without the ability to modify it. NITI Aayog is in the process of creating India's largest block chain network known as India chain which is

expected to revolutionize industries by reducing the chances of fraud, enhancing transparency, lower human intervention and create a database which can't be hacked. Many aspects of banking and financial services are predicted to be impacted.

**14) Rise of Fintech Services:-** 'Fintech' stands for 'financial technology'. A company provides financial service through technology or online platform to compete with traditional methods of finance. Fintech industry comprises of mobile payments, money transfers, loans, crowd funding, assets management and many other things. Fintech apps are changing the way financial institutions interact with their customers with initiatives like 'Start-Up India' by Government of India.

**15) Artificial Intelligence Robots:** - This technology as of now is at the start stage and use of Artificial Intelligence Robots or chatbots is among the many emerging trends in the Indian banking sector. Many banks have forecasted to adopt chatbots for improved customer interaction, personalized solutions. This technology will be helpful in bringing down the chances of human error to zero level and create accurate solutions for the customers.

**16) Cloud Banking:-** This technology will improve and organize banking and financial activities. Use of cloud-based technology will improve flexibility, efficiency, easier integration of new technologies and applications, faster services and solutions and improved data security.

**17) Biometrics:-** A Biometric Authentication system due to security reasons is changing the national identity policies and banking and financial services will be the one among many industries that will experience the impact. With a combination of OTP's and encryption technology biometric authentication is forecasted to create a highly secure database.

**18) Wearable's:-** Wearable's have changed the way customers perform daily activities. With the help of smart watch technology the aim is to create wearable's for retail banking customers and provide more control and easy access to the data. This technology is expected to be the future retail banking trend.



## CONCLUSION:-

The new improvised and enhanced technology is re-defined and re-engineered and is going to be the future of banking. The future of banking will offer more cultured services with the continuous product and process modernization. There are multiple forces that will shape the behavior of financial and banking organization in future. Banking sector has given a positive and encouraging response to the financial sector reforms which has brought India's financial system closer to global standards. It automatically follows that the future of Indian banking depends on global trends in the financial sector.

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