

Current Trends in Banking

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ABSTRACT: Finance and banking are the lifeblood of any business. Financial sector has been undergoing a drastic change and banking sector is a part of it. Banking sector has a well developed system of accounting with classified banks. The process of banking was stated in decade of the 18th century. The first bank were The bank of Hindustan and then the most of the banks were originated.

In 1969 and 1980 the banks were nationalized due to poor workings of previous banks because there is a need of change in the banking industry. After that, banks came out with some innovations and new type of services to cater to the emerging needs of their customers. Technology has played a great role in responding to the growing needs of Indian economy. To improve their performance, banks have made a heavy investment in IT sector. This paper is basically focused on recent trends which are taking place in banking industry.

Key Words: : Banking sector, IT, Finance, Innovation

Introduction

The core of banking does not merely lies in the acceptance of deposits & granting of loans to the needy persons. This was an traditional function of banking. Nowadays it is not limited to only deposit and lending but enhanced to more sophisticated services. Current banking system constitutes a new innovative system with new technological system. Information technology in banking sector means the use of revolutionary information and communication technologies together with computers to enable banks to provide better services to its customer in a secure, credible and affordable manner. Commercial banks besides providing customer services play a significant role in the economic development of a country. Commercial banks helps in removing the problem like acute shortage of capital, depressed industrial development, bad means of transport and communication.

The developing countries depends a lot on their banking system for their economic development. Bankers helps in performing their day to day activities and also in other remote services e.g. foreign exchange. The banking sector in India is different from other countries due to country's unique geographic, social and other economic characteristics. Our banking sector has concerned about every people of our population i.e. of urban, rural and other backward areas. Banking sector covers a significant position of our economy. India has followed the path of growth led export rather than exports led growth of other Asian economies, with focus on self reliance through import substitution and these features are showed in the diversity of our banking sector.

The Indian Banking Sector

The history of banking can be divided into three main phases:-

Phase I (1786-1969) :- Initial phase of banking in India when small banks were setup

Phase II (1969-1991) :- Nationalisation, regularization and growth

Phase III (1991 onwards) :- liberalization and its aftermath

With the change in phase III, banking sector has come out with a greater reach, maturity in supply and with banks having clean, strong, transparent, true and fair balance sheet and with the technological advancements.

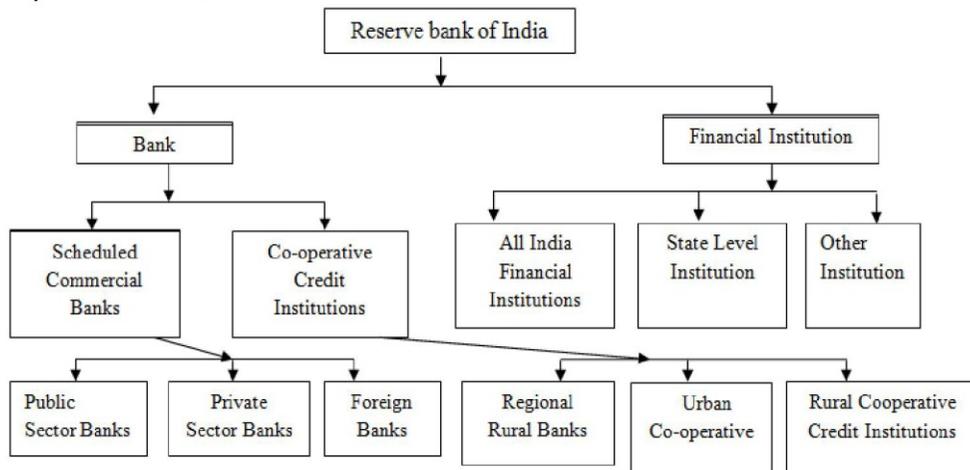
Objectives of the study

- To study the recent trends in banking sector
- To figure out the technological developments in Indian Banking Field
- To examine the emerging trends in banking technology

Research Methodology

The study is based on secondary data. The data is collected from banking books, magazines, research paper, annual reports of RBI, internet.

Structure of Indian Banking sector



In our country we are having a well developed and significant banking system with different classes of banks- public sector banks, foreign banks, private banks- both old and new generation banks, regional rural banks and cooperative banks in the leadership of RBI. The banks are set up in the supervision of different committees created by the Government with the aim to bring about operational flexibility and functional autonomy to enhance efficiency, productivity, profitability of banks. Earlier the finance function was carried down by the Sahukars, moneylenders and they creates a lot of difficulty level to individuals. Their rate of interest differs from person to person and impose different unusual condition from borrower to borrower. Then a need arise to having legalized and systemic process for lending and deposit the funds and this solve out the problems of the individuals. After that banks have classified according to their proper uses i.e private, public, foreign and regional rural banks to provide benefits to every sector of society. Competition in banking sector brings various challenges before

the banks such as product positioning, innovative ideas and channels and new market trends. Banks are restricting their administrative folio by converting manpower into machine power. i.e, banks are decreasing manual powers and getting maximum work done through machine power.

Recent trends in Banking sector

- 1) **Internet**:- internet is a network of computers. Through internet the process of dealing customer is getting very fast and banking can be used at anytime, anywhere. It works as global trend through which distance and time can be reduced to perform the transaction. IT services have enabled innovation and hi-tech services to make the complication and concern of original banking plan to much easier and easily accessible by the consumers and at present the trend has arise to carry out the transactions through mobile banking, direct bill payment, electronic fund transfer and the I-banking.

Most of the large banks in industry offers fully secure and functional online banking at free of cost. The public can now check and control their money in a safest way for customers it is the realization of their anywhere, anytime, anyway banking dreams

- 2) **ATM** :- An automated teller machine is an electronic banking outlet that allows customers to know about their basic transaction without any bank representative. ATMs can access through a credit or debit card. There are 2 types of ATM functions. Basic type allows customers to withdraw cash and receive reports only and more complex type accept deposits and provide more advanced features.

The person who who is having account in any bank can use their bank's ATM at free of cost but through any other bank will incur a small fee. This facility is provided to the customers 24 hours a day. For use ATM facility customer should have a ATM card .this is a plastic card , magnetically coded. Each card holder can use their card through a secret personal identification number. This is issued for security purpose.

- 3) **Mobile Banking** :- it is a service provided by the particular bank to the customer to avail service through their registered mobile number. The facility only is available on registered number and the number which is linked to aadhar number of the customer. it usually available on a 24 hour basis like ATMs. Transaction through mobile banking depends on the banking application provided by

the particular bank. The services are electronic bill payment , remote cheque deposits, p2p payment etc.

Mobile banking services are:-

- Mini statement & alert on account activity
- Access to loan statement
- Fund transfer
- Bill payments

4) **Electronic payment and settlement system** :- payment & settlement system in India is mainly for financial transaction. These are covered by the act of payment & settlement system Act, 2007 and its regulated by RBI. In India, multiple systems are used for gross and net settlement. To provide safety and security to customers RBI is providing its best payment system & makes the whole process easier for banks. Through IT system the banking sector has been growing successfully and implement electronic payment to enhance the banking systems.

- **RTGS:-** it stands for real time gross settlement . when settlement and transfer takes place on a real time and on gross basis then RTGS is used i.e transfer of money from one bank to another bank on a real time & gross basis. Real time means there is not any waiting period in settlement and gross settlement means the transaction is settled on one to one basis without bunching with any transaction. Fee for RTGS differ from bank to bank. Customer can avail the RTGS facility between 9 AM to 4:30 PM on weekdays and 9AM to 2:00 PM on Saturday. However the timing for RTGS vary from bank to bank
- **NEFT:-** this facility was provided in Nov. 2005. This system is a nationwide system that allows individuals, firms and corporation to transfer their funds electronically from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country. It is done through electronic message.
- **Electronic clearing service:-** This system was introduced in 1990 by the RBI. ECS payment are used for bulk transfers and repetitive payments like salary, interest, dividend payments. This transfer takes place through a proper mechanism i.e clearing houses. Settlement is done on a t+1 basis
 - **ECS (credit):** This works on the principle of single debit multiple credit and is used for repetitive payments like salary
 - **ECS (debit):** This service works on the principle of single credit multiple debit and is used by utility service providers for collection of bills and charges.

Conclusion

In the future time it is expected that banks will grow at a tremendous growth rate . through the innovation and IT system used in banking field, banks are able to better risk management system, adoption of internationally accepted accounted practices and increased disclosure and transparency. These reforms which has taken place in different phases further strengthen the system. Through the banking sector Indian economy is expected to grow at 5 or 6 % . by the government support and revaluation of existing business, strategies can set the stage for Indian banks to become bigger and stronger , thereby setting the stage for expansion into a global consumer base.

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