



A STUDY ON RECENT TRENDS IN BANKING SECTOR

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ABSTRACT

In financial sector, banking industry is the largest player which has undergoing a major change. The banking sector plays an important role in the development of our economy. We have a well developed banking system having different types of banks such as private banks, public banks, foreign banks, regional rural banks, cooperative banks with Reserve Bank of India as a the head of the system. Since 1969, significant changes have taken place in the banking industry. The present era is having cashless transactions, E-cheques and mobile banking. This paper attempts to present the new trends in the banking industry.

Keywords: *banking industry, cashless transactions, E-cheques, financial sector, mobile banking*

PART I

1.1 Introduction

The banking system plays an important role in promoting the economic growth. The Indian Banking industry in 1960 became an important tool to facilitate the financial development of the Indian economy. In the era of Digital India, the banking and financial services in India has undergone a massive evolution. The emergence of innovative financial technology has revolutionized financial services in India as well as the banking sector. It has resulted in the introduction and advancement of several technologies in the banking sector. Mobile banking, electronic fund transfer, electronic clearing services are some of them. In addition to the betterment of traditional systems, these banking and financial services industry trends are a few steps toward creating a cashless society and complete digital transformation. This paper focuses on the recent trends in the Indian banking sector.

1.2 Review of Literature

1. M.Sujatha (2017) conducted a study on recent trends of banking sector in India. She studied the role of banking sector in the development of economy and also the recent trends in banking



technology. She found that e-cheques, real time gross settlement, electronic fund transfer, demat account, point of sale, biometric authentication and fintec firms are the major trends in the banking technologies.

2. Karigoleshwar (2018) conducted a study on emerging trends in banking sector, its challenges and opportunities. He studied about the recent trends in the banking sector. The major trends found by him includes e-cheques, real time gross settlement, automated teller machines and tele banking.

1.3 Statement of Problem

Banking industry plays a very important role in the development of the economy. Banking sector has introduced several innovations to provide the services to the customers directly and also to save their valuable time. But if the customer doesn't have the awareness regarding these new technologies, it will not produce any results. And also secrecy of the information provided by the customers is another problem in the case of cashless transactions. The proper awareness regarding new technologies helps the customers to make use of these innovative technologies. So the present study focuses on the new trends in the banking industry.

1.4 Objectives

1.4.1 To understand the recent trends in the banking sector

1.5 Research Design

The study is based on descriptive nature.

PART II

2.1 Recent Trends in Banking

2.1.1 Electronic Payment Services – E-Cheques

An e-cheque is an electronic document which replaces the paper cheque for online transactions. Digital signatures (based on public key cryptography) change handwritten signatures. The e-cheque system is planned with message integrity, authentication and strong enough to secure fraud against the banks and their customers. The e-cheque is suited with interactive web transactions or with email and does not depend on real-time interactions or on third party authorizations. It is considered to work with paper cheque practices and systems, with minimum impact on payers, payees, banks and the financial system.

2.1.2 Real Time Gross Settlement (RTGS)

Real Time Gross Settlement system has been introduced in India in March 2004, is a system through which electronic instructions can be provided by banks to transfer funds from their



account to the account of another bank. The RTGS system is preserved and operated by the RBI and provides a means of well-organized and faster funds transfer among banks facilitating their financial operations. In other words, funds transfer between banks takes place on a 'Real Time' basis. Therefore, money can reach the beneficiary instantly and the beneficiary's bank has the obligation to credit the beneficiary's account within two hours. Timings for RTGS transaction on Monday – Friday is 9 A.M to 4.30 P.M and for Saturday it is 9 A.M to 2 P.M. RTGS charges are as below

1. Inward transactions – Free, no charge to be levied.
2. Outward transaction – Rs. 2 lakhs to 5 lakhs – not exceeding Rs. 30 per transaction
3. Above Rs. 5 lakhs – not exceeding Rs. 55 per transaction.

2.1.3. Electronic Funds Transfer (EFT)

Electronic Funds Transfer (EFT) is a system where a person who wants to make payment to another person can approach his bank and make cash payment or provide instructions to transfer funds directly from his own account to the bank account of the receiver. EFT is the widely used transaction way in which money is directly deposited straight into employee's bank account. For transferring funds faster and in an accurate way we have to complete details such as the receiver's name, bank account number, account type (savings or current account), bank name, city, branch name etc. RBI provides the service of EFT. EFT also provides convenient funds transferred from one account to another within a second. It eliminates the need of personally visiting banks for their transactions.

2.1.4. Automatic Teller Machine (ATM)

Automatic Teller Machine is the most popular and widely used device in India, which provides the customers to withdraw their money 24 hours a day 7 days a week. Customer who has an ATM card can use this device to perform routine banking transactions without interacting with a human teller. Along with the cash withdrawal, ATMs can also be used for payment of utility bills, funds transfer between accounts, deposit of cheques and cash into accounts, balance enquiry etc.

2.1.5. Tele Banking

Tele banking assists the customer to do entire non-cash related banking over the telephone. By using this device Automatic Voice Recorder is used for simpler queries and transactions. Manned phone terminals are used for complicated queries and transactions.

2.1.6. Electronic Data Interchange (EDI)

Electronic Data Interchange is the exchange of business documents like purchase order, invoices, shipping notices, receiving advices via internet in a standard, computer processed, universally accepted format between trading partners. EDI can also be used to transfer financial information and payments in electronic form.



2.1.7. Mobile Banking

Mobile banking gives easy access for customers to have large and various businesses through telephones. Data are exchanged over the mobile phone regarding any queries, to issue instructions on balance transfer, statement of account, cheque- book, stop payments, new schemes, interest rates etc. at any convenient time and place.

2.1.8. Credit Cards

These plastic cards allow customers to spend whenever he wants within the defined limits and pay later. Debit card is a prepaid card with stored value, whereas credit card is postpaid card with fixed limits of money. Credit cards provide overdraft facility to the customers for buy now pay later.

PART III

3.1 Conclusion

The banking sector is having a new phase of evolution with innovations in the technologies. By providing the innovative technologies, banking sector is having a significant growth of customers. The changes made by the banks mainly focus on financial inclusion. Also it helps to provide services to the customers directly and reducing customer valuable time.

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