

A STUDY ON RECENT TRENDS OF BANKING SECTOR IN INDIA

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Abstract

In the financial sector the banking industry is the largest player, and it has also been undergoing a major change. Today the banking industry is stronger and capable of withstanding the pressures of competition environment. In Today's, we are having well- developed banking systems with different classes of banks such as - public sector banks, foreign banks, and private sector banks etc. The Reserve Bank of India is the main head of these systems. Since from 1969, there is tremendous changes have been taking place in the banking industry. The banks have shed their traditional functions and have been coming up with innovating, improvement and with the new types of services which needs of their customers. The welfare activities of the country as well as the customers are mainly done through the banking system of India. With the advantage of electronic banking, electronic funds transfer, RTGS, NEFT, IMPS and other similar products, funds transfer within the time frames which would have appeared impossible a few years ago has made it reality. With the networking and internet connections new challenges are arise related to security privacy and confidentiality of transactions for that the banking sector follows the SSL (secure socket layers) for maintain the confidentiality of transactions. In the year 1991, the Government of India has opened the doors for foreign banks to start their operations in India and provide their wide range of facilities to the customers, thereby the strong competition arise among the domestic banks, and helping the customers by providing the best services. The present era is the cashless transactions, E-cheques, mobile wallets and giving special emphasis to digitalization etc.

Key Terms: Electrical fund transfer, RTGS, NEFT, IMPS, welfare activities, SSL.

1. Introduction

The Banking sector is the section of economy concerned to holding of financial assets for others, and investing financial assets as authority to create more wealth and the regulation of those activities by government agencies. In India the banking sector is always been one of the most preferred entrance to employment. In presently the banking sector is a resident sector in Indian economy. The banking sector has contributing the Gross domestic product (GDP) is 7.7%. And the banking sector has generating the employment in the national economy for about 1.5 million of people. Now a day's the banking sector can diversified their activities and providing various services such as new products and services that include opportunities in Credit card facilities, consumer finance, wealth management, Life insurance, General insurance, investment banking, mutual funds, pensions, fund regulations, stock broking services, custodian services, private equity etc. In India banking sector consists of 19 public sector banks, and 12 private sector banks and 45 foreign sector banks along with that there are 196 regional rural banks (RRB's) and more than 94,384 credit cooperatives as per Reserve bank of India (RBI). In presently the Indian banking industry has worth of Rs. 81 trillion (US \$ 1.31 trillion). Now a day's the banks are working by using of technology like internet, & mobile devices to carry out transaction and to communication with customers directly. And the banking system in India is significantly different from other Asian nations because of the country's unique geographic, social, and economic characteristics. The country's economic policy framework is a combination of socialistic and capitalistic and mixed features based on public sector investment. And India has followed the path of "growth-led exports" rather than the path of "growth-led import" of other Asian nation's economies, with emphasis to self-reliance through the import substitution. On the other hand, it has been much relatively with public sector banks to recapitalize the (NPAs) Nonperforming assets, and the Government dominated the ownership structure that has reduced the conflicts of interest that the private bank would face.

2. Review of Literature

Gokilamani and Natarajan (2014): In their study opine that customers of Indian commercial banks are positively responding to retail banking. It is important for banks to focus on service quality for strengthening their competitive edge and to allocate the limited resources to serve the personal banking division. They further views that the success of a retail bank will depend on product innovation, technological developments and strategies to retain the retail customers.

Sujatha S. And Arum gam N. (2013): In their study "Customer satisfaction in Indian banking sector" view that before introducing various services to customers, banks should take care of their needs. To serve customers with different occupations and educational backgrounds banks should adopt strategies. There is a correlation between the satisfaction of the customer and the performance of the banks. So, it is important for banks to consider satisfaction of the customer as a relationship-marketing strategy.

Mittal and Pachauri (2013): In their study on promotional tools and techniques adopted for retail banking compared the public sector banks and private sector banks. Their finding is that the perception of customers with regard to the type of promotional tools and the techniques adopted significantly vary between public sector and private sector banks.

Revathy (2012): In her article views that retail banking has greater scope of generating profit than the traditional banking. Banks have identified this and are adopting a different approach in designing the retail banking products and services to hold the market share.

3. Statement of the problem

In these dynamic changing environments, that the banking sector has implemented Tele-banking, mobile banking, ATM's (automated Teller Machine) and E-banking services one after another for providing better services to the customer etc. Due to new changes in technology, that can leads to, the entry of foreign and private banks in a number of new goods and services channels have been introduced in the Market. The major initiatives in Banking sector have brought to the customers for much demanded and convenience. The technological advancement in banking sector facilitates the banking firms to a new frontier of opportunities and challenges. Along with these possibilities, there are various psychological and behavioural

issues is also to be done such as reluctance to change, trust to the one bank; security concerns, preference of human interference and the like impede the growth of banking sector in India. In this regard a study has been undertaken in emerging trends in banking sector in India.

4. Objectives of the study

- ✚ To explain the types of banking sector in India.
- ✚ To analysis the role of banking sector in development of economy.
- ✚ To explain the recent trends in banking sector.

5. Methodology

The paper is in a conceptual nature. The Data collection was achieved through the online websites and the data is filtered to improve the quality of study. The study is on the basis of secondary data.

6. Types of banking sector

In India banking sector have been classified into 7 types. In these each banks have their own specialization and can play different role of actions which are useful to everyday of our life for performing the monetary transactions. Those can be explained as follows.



Figure 1: Indian Banking Sector

1. Reserve Bank of India (RBI): The country had no central bank prior to the establishment of the RBI on 1 April 1935. The RBI is the supreme monetary and banking authority in the country and controls the banking system in India. It is called the Reserve Bank of India' and it keeps the reserves of all commercial banks.

2. Scheduled and Non-Scheduled Banks: A scheduled bank is a bank that is listed under the second schedule of the RBI Act, 1934. In order to be included under this schedule of the RBI Act 1934, banks have to fulfil the certain conditions such as having a paid-up capital and reserves of at least 5 million and satisfying the Reserve Bank that its affairs are not being conducted in a manner prejudicial to the interests of its depositors. Scheduled banks are further classified into two types such as commercial and cooperative banks. The non-scheduled banks are those banks which are not included in the second schedule of the RBI Act, 1934. At present these are only three such banks in the country and their capital and reserves are less than the 5million.

3. Commercial Banks: The commercial banks are those banks which can carry out their business for earning profits. These are the bank which can accept the deposits from the general public and granting loan on time liability basis of the customer. The commercial bank governed by the Reserve bank of India.

4. Scheduled Commercial Banks (SCBs): The Scheduled commercial banks (SCBs) account for a major proportion of the business of the scheduled banks. The SCBS in India are categorized into the five groups based on their ownership and/or their nature of operations. The State Bank of India and its six associates (excluding State Bank of Saurashtra, which has been merged with the SBI with effect from August 13, 2008) are recognised as a separate category of the SCBs, because of the distinct statutes (SBI Act, 1955 and SBI Subsidiary Banks Act, 1959) that govern them.

7. Types of Scheduled Commercial Banks

1. Public Sector Banks: Public sector banks are those banks which are comes under the government. The Government runs these banks. In India 20 banks (14+6) were nationalized in 1969 and 1980 respectively. Social welfare is their principal objective.

2. Private Sector Banks: These are the banks which are owned and run by the private sector. Various banks in the country such as Vijaya bank belong to this category.

3. Foreign Banks: Foreign banks are the banks which are incorporated in a foreign country. They have set up their branches in India. Their principal is to make credit arrangement for the exports and imports of the country and these banks deal in foreign exchange.

4 Regional Rural Banks: In mid-1970s, the Government of India thought it necessary to establish rural banks as subsidiaries of the public sector banks to cater to the credit needs of the people. The establishment of (RRBs) on Mr. M. Narasimham committee on July 10, 1975.

Types of Commercial bank	Major Shareholders	Major Players
Public sector banks	Government of India	SBI, PNB, Canara Bank, Bank of Baroda, Bank of India etc.
Private Sector banks	Private Individuals	ICICI Bank, IIDFC Bank, Axis Bank, Kotak Mahindra Bank, Yes Bank etc.
Foreign banks	Foreign Entity	Standard Chartered Bank, Citi Bank, HSBC, Deutsche Bank, BNP Paribas, etc.
Regional Rural banks	Central Govt, Concerned State Govt and Sponsor bank in the ratio of 50:15:35.	Andhra Pradesh Grameena Vikas Bank, Uttaranchal Gramin Bank. Pratham Bank, etc.

Table 1: Types of Commercial bank

5. Co-operative Banks: Co-operative banks are those banks which are jointly run by a group of individuals. Each individual has an equal share of profit in these banks. The affairs of the bank are managed by its shareholders. Mutual help of the members of the co-operative bank is the principal objective of co-operative banks.

- ❖ Co-operative banks are the primary financiers to the agriculture activities and small-scale industries.
- ❖ Co-operative banks functions are on the basis of "no profit no loss".

8. Role of Banking Sector

The banking sector plays significant role in development of modern economic system. Now a day's the growth of nation economic can be done through the banking system. The following are the significant role played by the banks.

- ❖ Banks can motive the people to make savings.
- ❖ Banks can mobilize the savings from the people for the purpose of investments.
- ❖ For the formation of capital that the bank plays a co-ordination function between savings and investments.
- ❖ For the purpose of enlargement of production that the banks provide credit facilities.
- ❖ Banks can provide funds for financial infrastructures and backward regions for the purpose of development of country.
- ❖ Banks can play significant role in expanding the size of the market.
- ❖ Through the banking sector the Government can fulfil every objective which can be planned in economic development.

9. Recent Trends in Banking Sector

1. Digitization: With the rapid growth of digital technology in the world, it became imperative in banking sector and financial services in India to keep up with the changes and innovative digital solutions for the tech-savvy customers. Besides the financial institutions, insurance, healthcare, retail, trade, and commerce are some of the major industries that are experiencing in the enormous digital shift. To stay competitive, it is necessary for the banking and financial sector to take the leap on the digital bandwagon. The shift from conventional to convenience banking and financial sector is incredible.

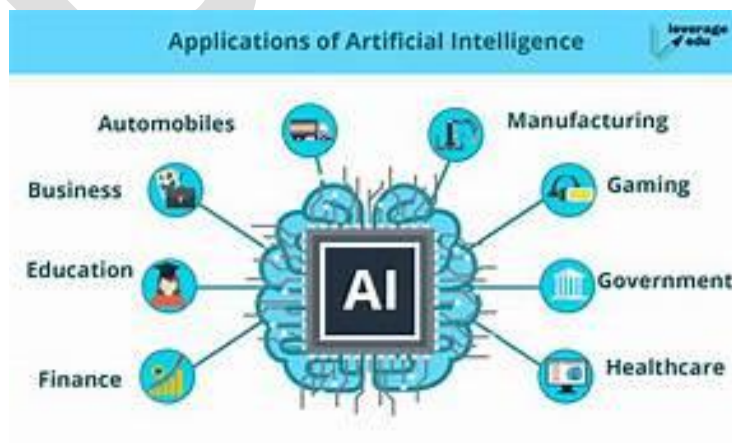
2. Enhanced Mobile Banking: Mobile banking is one of the most dominant current trends in the banking sector. As per the definition, it is the use of a smartphone to perform various banking procedures or transactions like checking account balance, fund transfer, and bill payments, without the need of visiting to the branch. This trend has taken place over the traditional banking systems. In the upcoming years, the mobile banking is expected to become even more efficient and effortless to keep up with the customer demands.



3. UPI (Unified Payments Interface): The UPI or Unified Payments Interface has changed the way of payments are made. It is a real-time payment system and it enables to instant inter-bank transactions with the use of a mobile platform. This system facilitates for funds transfer which is available for 24 hours, 365 days unlike other internet banking systems. There are approximately 39 apps and more than 50 banks are supporting for the system.

4. Block Chain: The Block chain system is the new kid on the block and the latest buzzword. The technology that works on the principles of computer science, data structures and cryptography and it is the core component of crypto currency is said to be the future of banking and financial services globally. Block chain uses technology to create blocks to process, verify and record transactions, without the ability to modify it.

5. Artificial Intelligence Robots:



Several private as well as nationalized banks in India have been started to adopt chatbots or Artificial intelligence robots in the banking and financial sector for assistance to the customer in support services. For now, the use of this technology is at a nascent stage and evolution of these chatbots is not too far away from the present. The Usage of chatbots is among the many emerging trends in the Indian banking sector that is expected to grow.

6. The rise of Fintech Companies:



Fintech companies and fintech apps are changing the way of financial solutions which are provided to the customers. Besides the easy access of financial services, fintech companies have led to a massive improvement in the services, customer experience, and reduced the transaction cost. In India, the dynamic transformation has been brought up by the several important elements like fintech startups, established financial institutions, initiatives like "Start-Up India" by Government of India, incubators, investors, and accelerators etc. According to a report by National Association of Software and Services Companies (NASSCOM), In line with global trends, the FinTech ecosystem has witnessed tremendous technological advancements and is projected to grow sixfold from \$245 billion to \$1.5 trillion by 2030. The Asia-Pacific region is expected to outpace the US and climb up the ranks to become the world's leading FinTech market by 2030.

7. Digital-Only Banks: It is the recent trend in the Indian financial system and banking system it cannot be ignored. With the entire banking and financial services industry jumping to digital channels, digital-only banks have emerged to create paperless and branchless banking systems in India. This is a new breed of banking institutions that are overtaking the traditional models rapidly. These banks provide banking facilities only through various IT platforms that can be accessed on mobile, computers, and the tablets.

8. Cloud Banking: The Cloud technology has taken in the world by storm. It seems the technology that will find soon its way in the banking and financial services sector in India. Cloud computing will improve and organize banking and financial sector activities. Use of cloud-based technology means improved flexibility and scalability, and increased efficiency, easier integration of newer technologies and applications, faster services and solutions, and improved data security. In addition, to the banks will not have to invest in expensive hardware and software as updating the information is easier on cloud-based models.

9. Biometrics: It is essentially for security reasons; the Biometric Authentication system is a changing the national identity policies and the impact is expected to be widespread. Banking and financial services sector are just one of the many other industries that will be experiencing the impact. With a combination of encryption technology and OTPs, biometric authentication is forecasted to create a highly-secure database protecting it from leaks and hackers attempts. The Financial services in India are exploring the potential of this powerful technology to ensure sophisticated security to customer account and capital.



10. Wearables: With smart watch technology, the banking and a financial service sector technology is aiming to create wearable's activities for retail banking customers and to provide more control and easy access to the data. Wearables have changed the way we perform daily activities. Therefore, this technology is anticipated to be the future retail banking trend by providing major banking services with just a click on a user-friendly interface on their wearable device.

10. Findings

- ✚ The banking sector has contributing the Gross domestic product (GDP) is 7.7%. In presently the Indian banking industry has worth of Rs. 81 trillion (US \$ 1.31 trillion).
- ✚ If we see the previous Research studies that they can indicate that the banking sector concentrating on the improvement in the quality of service by using advance technologies.
- ✚ The banking sector mainly focusing on the digitalization by use of these changing dynamic trends in the banking sector for the purpose of providing better services to the consumer.

11. Conclusion

In this dynamic environment of technology, the banks are play a significant role in economic development. Banking sector in India is resulting by providing innovative facilities and services by the bank with increased growth in customers. The changes made by the banks are mostly focused on financial inclusion for expansion into rural areas and bringing stability in financial inclusion by boosting credit growth by making banking services near to the customer directly and reducing customer valuable time. And the banking sector has also implemented Tele-banking, mobile banking, ATM's (automated Teller Machine) and E-banking, RTGF, NEFT, services one after another for providing better services to the customer etc.

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