

Banking of 21st Century in India: Recent Trends

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Abstract

Today's banking scenario has changed on the whole. Today's banking does not look like yesterday's banking. Banking has adopted so many innovative & digitalization technologies. It has moved with the help of smart technologies to online and mobile banking. The banking industry is fully in professional mode now. Many foreign and private banks are there with so many innovative ways to attract the customers. So now a days huge competition is also there. Single window system, multiple services, universal banking, globalization of banking, mobile banking, UPI payments, E-cheques, EFT, NEFT, RTGS, ATM, & digitalization of all banking services etc. are the many new trends entering in the banking sector. Indian Banks of Public Sector have also adopted so many innovative tools to attract the customers and they are giving full competition to foreign and private banks. The process of adoption of latest technologies in banks is still continue with a rapid pace and it is the need of the hour too. If any bank wants to survive and grow in the present banking scenario, it will have to be well equipped with latest technology as well as with skilled human resources. Modern, advanced, digitalized trends; like product innovation and branding, focus on strengthening risk management systems, adoption and emphasis on latest technology etc. are the necessary parameters for success in present era in banking industry.

Keywords

UPI, universal banking, digitalization, risk management systems.

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The scenario of banking has drastically changed in some last decades. In old version of banking, this sector was doing only few jobs majorly like- Deposit, Loan and Locker facilities. Bank was only a safe place for the public to deposit their money safely. The loaning procedure was so tedious and lengthy, so people were avoiding to take this facility from bank. On the employees side, it was only 10 to 5 white collar job on which they sit, do their routine work and go to home. But the time has changed and the services provided by banking sector also have undergone tremendous revolutionary changes. Indian banking environment is witnessing path breaking reforms. Now in the growth of Indian economy, the banking sector is playing a strong role as the largest, major and important player. Indian banking industry is now changing into a new get up. It is gradually moving towards adopting the latest best practices in accounting, corporate governance and risk management. Banks have introduced complete computerized automated systems from accounts opening to all other facilities. There are massive branch expansions of our banking sector in remote, rural and underdeveloped areas. So many private sector and foreign banks are now in the field for competition with nationalized banks. On the whole today's bank does not look like yesterday's bank. The scenario has completely changed from manual banking to smart, online and mobile banking. Now consumer interacts with their financial institutions is more revolving door than teller wall. The banking sector is now adopting innovative, improved, paper less techniques with new type of services to cater the emerging needs of their customers. In the present era, our banking industry is also dealing in credit cards, plastic money, merchant banking, mutual funds and many more.

Recent Trends in Indian Banking

In the present time, the Indian banking has tremendous pressures to perform their best because there is cut-throat competition. There are so many players in this sector now they are playing with; through the help of so many innovative tools. This is time of IT revolution. Complete automation of banking is going on in its full swing. Information Technology has basically been used under two different avenues in the banking sector. One is communication and connectivity and other is business process re-engineering. So to survive & grow, it is a must for any bank to provide best services to complete the national as well as global challenges. After a detailed analytical study, we find the following recent trends in our banking sector—

1. NEFT

This is a mode of online fund transfer that is introduced by RBI, it quickly transfers money between banks throughout India. According to RBI— “NEFT is a payment system that enables electronic transfer of funds from one bank account to

another bank account.” Many transfers can be made by an individual or company’s bank account with any bank who is a member of the NEFT scheme. There are certain procedures of each bank for availing this facility. Anyone who want to make payment to another individual/company can approach concern bank and make payment in cash or give instructions or authorization to transfer funds directly from his own account to the bank account of the concern individual/company/beneficiary. Now a days, NEFT can also be made through Mobile Banking. NEFT was started in November 2005 by RBI, the set up was established and maintained by Institute for development and Research in Banking Technology. Usually the maximum limit of NEFT for money transfer is upto Rs. 2 Lacs.

2. RTGS

According to Investopedia– “RTGS refers to a funds transfer system that allows for the instantaneous transfer of money and/or securities. RTGS is a continuous process of setting payment on an individual order basis without netting debit with credits across the books of a central banks.” It was introduced in India in March 2004. The processing of RTGS is different from NEFT in many sense. In NEFT, the transaction are received at a particular time and are processed in batches. However, in the case of RTGS, the transactions are processed continuously throughout the day by all time. The process of RTGS had been made available twenty four hours since 14th December, 2020. On the other hand the minimum limit of money transfer in RTGS is Rs. 2 Lacs while in NEFT, it is the maximum limit. In RTGS money can reach the beneficiary instantaneously and the beneficiary’s bank has the responsibility to credit the beneficiary’s account for the said or ordered account within two hours.

3. Digitalization of Banking

In simple words, we can explain that the digitalization has transformed manual processes, transactions and activities into digital services. Due to the advent of digital technology, all banking & financial services working in this sphere have undergone a massive and drastic shift in the mode of different operations. The major change came into Indian banking sector during 90s when new phase of liberalization opened the Indian market to the global word. In this phase of liberalization, many more private sector and international banks established their set up in India. It also boosted technological changes in the banking sector. Digital features in banking like card banking, mobile banking, online banking, NEFT, IMPS, RTGS, telebanking etc. have enables customers to avail banking facilities from their home or from anywhere.

4. EFT

According to Wikipedia– “Electronic fund transfer is the 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 banks staff.” It is a so speedy system whereby anyone who wants to make payment to other individual/company can approach his concerned bank where he has his own account and make cash payment or give instructions/authorization to transfer funds directly from his account to the bank account of beneficiary. Complete details should be furnished by transferor to the concerned bank on specified format or Performa so that the said amount reaches the beneficiary’s account in correct and speedy manner. RBI is the service provider of EFT.

5. ATM

ATM is an electronic banking outlet that allows customers to complete the basic transactions of money withdrawal without the aid of branch of banking staff. Any individual with a credit or debit card can access cash any time as ATMs have been installed by different banks at so many public places. It is the most popular withdrawal system in India. Now a days apart from withdrawal facility, ATMs are providing a wide range of services like fund transfer, mini statement, cash deposit, Aadhar linking, PAN linking etc. ATM systems work 24x7, so it is easy to a person to withdraw money at any of his convenient time without bothering the banking working hours. Different banks and different type of cards have different specific limits for these types of ATM withdrawals. The balance enquiry, mini statement of last transactions, money transfer in same bank, even money deposit facility on some specific ATMs etc can be availed through ATMs. One has its own four digit confidential pin which is changeable, so it is the safest way to withdraw money with the point of view of customers.

6. Mobile Banking

It is most popular mode now a days; specially new generation & youth are using it so frequently. It is the act of making financial banking transactions through mobile/cell phone/tablet etc. A person can transact so easily or pay his utility bills through mobile banking. In earlier days it was only possible through a laptop or desktop or computer with internet connection. But spread of smart phones have converted banking transactions so cheap and easy with use of small unit of mobile data.

7. UPI and Wallets

UPI is the RBI regulated activity and an instant payment system developed by the NPCI. It is built over the IMPS infrastructure and allows the customers to instant money transfer between any two parties, customers or clients with their bank accounts. Through UPI mode one can pay for goods and services from where he is or whenever he need. It is revolutionizing our payment method of paying and

receiving money. Through UPI financial transactions can be done within seconds using interface. Google pay, Paytm, phone pay, amazon pay, free charge, BHIM etc. are popular major interfaces among numerous other services and UPI wallets. Anyone can download these services and can may make payments and receipts so frequently even if you are out of physical cash.

8. Digital Banking or Digital Banks

It means availability of all banking services and activities only on online mode. In this category banking done through the digital platform, doing away with all physical paper work likes cheques, deposit slips, pay-in-slips, demand drafts and so on. All these recent trends developed in banking sector will reshape the banking and financial sector and the mode of transactions. Digital-only-banks are operating in paperless and branchless model and seem to overtake and capture the traditional systems of banking in near future. This is a virtual banking system which is an ideal choice of current fast-paced world.

Recent Challenges Faced by Indian Banking

The Indian banking has completely entered in a new digital world. It is also facing tremendous pressures of competitive forces and also the burden of frauds and NPAs. So many private and foreign banks are entering in the sector as new and powerful players with their full muscle power and new innovative techniques. So in conclusion, the Indian banking scenario is now so complex and competitive and for survival in this age; all banks have to well-equipped themselves with all these latest and digital innovations because banking landscape is changing very fast too. In present banking phase, number of more branches or number of more and more employees is not the parameter of success. In this changing innovative digital age, there is no need to have large number of physical banks branches, no need of mediators, no need of person-to-person physical dealings or interactions. The online loan procedures reduced the bulk filing procedures and red tapism. There is more transparency and disclosure in each transaction now. Advance technological infrastructure has become an indispensable part of this IT revolution and reforms measures in Indian banking system with the gradual development of sophisticated instruments, technology and innovations in the recent market practices. The increasing graph of digitalization in banking creates the great problem of security and e-mail & online frauds in front of our banking sector. It has not been a smooth sailing for banking sector keen to jump onto the IT technicalities. This increased use of IT and digital technology in our banking sector has also brought up many security concerns. To avoid any pitfalls or mishaps on this account, our banking ought to have in place a well planned, well documented full proof security policy

and system including internal as well as external network security. There are so many other barriers for banking sector in this new path. Banks have to reorient their all resources in the form of organized branch network, reduce but skilled manpower, cost cutting in all sphere, manpower planning and human resources management in innovative ways of attracting talented managerial pool. Regular researches and investigation is must on all levels for each bank to play their financial game in successful and in safe manner.

Conclusion and Future Perspectives

All banking systems and techniques are changing globally in last few years, so Indian banking sector should also adopt this modernity and digitalization otherwise we cannot compete with the upcoming challenges. The adoption of revolutionary changing technology in banking industry continues in rapid pace. The concentration is perceptibly more in the metro cities and in urban areas but it is gradually expanding in villages and in remote areas too. The advantage of this rapid and speedy technology is yet to percolate sufficiently to the common man living in his rural and remote hamlet. It is too essential in Indian context because most of the Indian population residing in villages and in rural areas. It is the hour that these upgradation of banking softwares and technology be introduced and spread out in these regional areas in their own languages so that more and more people might get benefited with the same. The Indian banking has undergone remarkable and considerable changes. Today's scenario is redefined, refined and re-engineered with the use of digitalization and information technology and it is assured that forthcoming Indian banking will offer more and more sophisticated services to its customers with the advanced features, paperless services and also innovative benefits and facilities. Thus, there is a paradigm shift in surprising mode from the "seller's market to buyer's market" in the banking industry and finally it will also affect at the bankers end or level to change their business approach from "conventional banking to convenience banking" and "mass banking to class banking". Indian banking industry has to prepare its whole system according to present need and global competition because the mode of banking business converted gradually into electronic side and of concept services at door step of customers has become the main principles of banking business in present context. Banking is now purely converted and need an extreme professional approach towards its business. The banking sector may have to re-orient their resources in the form of strengthen and well equipped branch networks, reduced and skilled manpower, effective reduction in establishment cost, honing the skills of the recruited staff and also innovative ways of attracting advanced, talented managerial pool.

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Abbreviations

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| 1. IT | - | Information Technology. |
| 2. NEFT | - | National Electronic Fund Transfer |
| 3. RTGS | - | Real Time Gross Settlement |
| 4. ECS | - | Electronic Clearing Service |
| 5. EDI | - | Electronic Data Interchange |
| 6. RBI | - | Reserve Bank of India |
| 7. IMPS | - | Immediate Payment Service |
| 8. ATM | - | Automated Teller Machine |
| 9. UPI | - | Unified Payment Interface |
| 10. NPCI | - | National Payment Corporation of India |
| 11. NPA | - | Non Performing Assets |