Abstract: The banking sector plays a vital role in the development of one country’s economy. The growth of banking sector depends upon the services provided by them to the customers in various aspects. The growing trend of banking services is found significant after the new economic reforms in India. Today, India has a fairly well developed banking system with different classes of banks – public sector banks, foreign banks, private sector banks – both old and new generation, regional rural banks and co-operative banks with the Reserve Bank of India as the fountain Head of the system. Nowadays banking sector acts as a backbone of Indian economy which reflects as a supporter during the period of boom and recession. From 1991 various trends and developments in banking sector are credited. It also reflects the various reforms were caused to improve their services to satisfy the customers.

Key Words: Banking sector, recent trends and developments etc.

1. Introduction

The banking system in India is significantly different from other Asian nations because of the country’s unique geographic, social, and economic characteristics. India has a large population and land size, a diverse culture, and extreme disparities in income, which are marked among its regions. There are high levels of illiteracy among a large percentage of its population but, at the same time, the country has a large reservoir of managerial and technologically advanced talents. Between about 30 and 35 percent of the population resides in metro and urban cities and the rest is spread in several semi-urban and rural centers. The country’s economic policy framework combines socialistic and capitalistic features with a heavy bias towards public sector investment. India has followed the path of growth-led exports rather than the “export led growth” of other Asian economies, with emphasis on self-reliance through import substitution. These features are reflected in the structure, size, and diversity of the country’s banking and financial sector. The banking system has had to serve the goals of economic policies enunciated in successive five-year development plans, particularly concerning equitable income distribution, balanced regional economic growth, and the reduction and elimination of private sector monopolies in trade and industry. In order for the banking industry to serve as an instrument of state policy, it was subjected to various nationalization schemes in different phases (1955, 1969, and 1980). As a result, banking remained internationally isolated (few Indian banks had presence abroad in international financial centers) because of preoccupations with domestic priorities, especially massive branch expansion and attracting more people to the system.[1] Moreover, the sector has been assigned the role of providing support to other economic sectors such as agriculture, small-scale industries, exports, and banking activities in the developed commercial centers (i.e., metro, urban, and a limited number of semi-urban centers). The banking system’s international isolation was also due to strict branch licensing controls on foreign banks already operating in the country as well as entry restrictions facing new foreign banks. A criterion of reciprocity is required for any Indian bank to open an office abroad. These features have left the Indian banking sector with weaknesses and strengths. A big challenge facing Indian banks is how, under the current ownership structure, to attain operational efficiency suitable for modern financial intermediation. On the other hand, it has been relatively easy for the public sector banks to recapitalize, given the increases in nonperforming assets (NPAs), as their Government dominated ownership structure has reduced the conflicts of interest that private banks would face.

1.1 Objectives of The Study

● To examine recent trends and developments in banking sector
● To present the technological developments in Indian banking sector
● To study the emerging trends in banking technology.
2. Recent Trends And Developments In Banking Sector

Today, we are having a fairly well developed banking system with different classes of banks – public sector banks, foreign banks, private sector banks, regional rural banks and co-operative banks. The Reserve Bank of India (RBI) is at the paramount of all the banks.

The RBI’s most important goal is to maintain monetary stability (moderate and stable inflation) in India. The RBI uses monetary policy to maintain price stability and an adequate flow of credit. The rates used by RBI to achieve the bank rate, repo rate, reverse repo rate and the cash reserve ratio. Reducing inflation has been one of the most important goals for some time.

Growth and diversification in banking sector has transcended limits all over the world. In 1991, the Government opened the doors for foreign banks to start their operations in India and provide their wide range of facilities, thereby providing a strong competition to the domestic banks, and helping the customers in availing the best of the services. The Reserve Bank in its bid to move towards the best international banking practices will further sharpen the prudential norms and strengthen its supervisor mechanism.

There has been considerable innovation and diversification in the business of major commercial banks. Some of them have engaged in the areas of consumer credit, credit cards, merchant banking, internet and phone banking, leasing, mutual funds etc. A few banks have already set up subsidiaries for merchant banking, leasing and mutual funds and many more are in the process of doing so. Some banks have commenced factoring business.

3. Development In Banking Sector

(1.) Internet

Internet is a networking of computers. In this marketing message can be transferred and received worldwide. The data can be sent and received in any part of the world. In no time, internet facility can do many a job for us. It includes the following:

This net can work as electronic mailing system.

It can have access to the distant database, which may be a newspaper of foreign country.

Customers can exchange their ideas through Internet and can make contact with anyone who is a linked with internet.

On internet, one can exchange letters, figures/diagrams and music recording.

Internet is a fast developing net and is of utmost important for public sector undertaking, Education Institutions, Research Organization etc.

(2.) Society For Worldwide Inter-Bank Financial Telecommunications (Swift)

SWIFT, as a co-operative society was formed in May 1973 with 239 participating banks from 15 countries with its headquarters at Brussels. It started functioning in May 1977. RBI and 27 other public sector banks as well as 8 foreign banks in India have obtained the membership of the SWIFT. SWIFT provides have rapid, secure, reliable and cost effective mode of transmitting the financial messages worldwide. At present more than 3000 banks are the members of the network. To cater to the growth in messages, SWIFT was upgrade in the 80s and this version is called SWIFT-II. Banks in India are hooked to SWIFT-II system. SWIFT is a method of the sophisticated message transmission of international repute. This is highly cost effective, reliable and safe means of fund transfer.

This network also facilitates the transfer of messages relating to fixed deposit, interest payment, debit-credit statements, foreign exchange etc. This service is available throughout the year, 24 hours a day.

This system ensure against any loss of mutilation against transmission.

It is clear from the above benefit of SWIFT that it is very beneficial in effective customer service. SWIFT has extended its range to users like brokers, trust and other agents.

(3.) Automated Teller Machine (ATM)

ATM is an electronic machine, which is operated by the customer himself to make deposits, withdrawals and other financial transactions. ATM is a step in improvement in customer service.[2] ATM facility is available to the customer 24 hours a day. The customer is issued an ATM card.[3] This is a plastic card, which bears the customer’s name. This card is magnetically coded and can be read by this machine. Each cardholder is provided with a secret personal identification number (PIN). When the customer wants to use the card, he has to insert his plastic card in the slot of the machine.[4] After the card is a recognized by the machine, the customer enters his personal identification number.[5] After establishing the authentication of the customers, the ATM follows the customer to enter the amount to be withdrawn by him. After processing that transaction and finding sufficient balances in his account, the output slot of ATM give the required cash to him.[6] When the
transaction is completed, the ATM ejects the customer’s card.

(4.) Cash Dispensers

Cash withdrawal is the basic service rendered by the bank branches. The cash payment is made by the cashier or teller of the cash dispensers is an alternate to time saving.[7] The operations by this machine are cheaper than manual operations and this machine is cheaper and fast than that of ATM. [8] The customer is provided with a plastic card, which is magnetically coated. After completing the formalities, the machine allows the machine the transactions for required amount.

(5.) Electronic Clearing Service

In 1994, RBI appointed a committee to review the mechanization in the banks and also to review the electronic clearing service. The committee recommended in its report that electronic clearing service-credit clearing facility should be made available to all corporate bodies/Government institutions for making repetitive low value payment like dividend[9], interest, refund, salary, pension or commission, it was also recommended by the committee Electronic Clearing Service-Debit clearing may be introduced for pre-authorized debits for payments of utility bills, insurance premium and instalments to leasing and financing companies. RBI has been necessary step to introduce these schemes, initially in Chennai, Mumbai, Calcutta and New Delhi.[10]

(6.) Bank net

Bank net is a first national level network in India, which was commissioned in February 1991. It is communication network established by RBI on the basis of recommendation of the committee [11] appointed by it under the chairmanship of the executive director T.N.A. Lyre. Bank net has two phases: Bank net-I and Bank net-II. [12]

(7.) Chip Card

The customer of the bank is provided with a special type of credit card which bears customer’s name, code etc. The credit amount of the customer account is written on the card with magnetic methods. The computer can read these magnetic spots.[17] When the customer uses this card, the credit amount written on the card starts decreasing. After use of number of times, at one stage, the balance becomes nil on the card. At that juncture, the card is of no use. The customer has to deposit cash in his account for re-use of the card. Again the credit amount is written on the card by magnetic means.[27]

(8.) Phone Banking

Customers can now dial up the bank’s designed telephone number and he by dialing his ID number will be able to get connectivity to bank’s designated computer. The software provided in the machine interactive with the computer asking him to dial the code number of service required by him and suitably answers him.[18] By using Automatic voice recorder (AVR) for simple queries and transactions and manned phone terminals for complicated queries and transactions, the customer can actually do entire non-cash relating banking on telephone: Anywhere, Anytime. [19]

(9.) Tele-banking

Tele banking is another innovation, which provided the facility of 24 hour banking to the customer. [20] Tele-banking is based on the voice processing facility available on bank computers. The caller usually a customer calls the bank anytime and can enquire balance in his account or other transaction history. [21] In this system, the computers at bank are connected to a telephone link with the help of a modem. Voice processing facility provided in the software. This software identifies the voice of caller and provides him suitable reply.[22] Some banks also use telephonic answering machine but this is limited to some brief functions. This is only telephone answering system and now Tele-banking. Tele banking is becoming popular since queries at ATM’s are now becoming too long. [23]

(10.) Internet Banking

Internet banking enables a customer to do banking transactions through the bank’s website on the Internet.[24] It is a system of accessing accounts and general information on bank products and services through a computer while sitting in its office or home.[25] This is also called virtual banking. It is more or less bringing the bank to your computer. In traditional banking one has to approach the branch in person, to withdraw cash or deposit a cheque or request a statement of accounts etc.[26] but internet banking has changed the way of banking. Now everyone can operate all these type of transactions on his computer through website of bank. All such transactions are encrypted:[28] using sophisticated multi-layered security architecture, including firewalls and filters.[29] One can be rest assured that one’s transactions are secure and confidential.
Mobile Banking

Mobile banking facility is an extension of internet banking. The bank is in association with the cellular service providers offers this service. For this service, mobile phone should either be SMS or WAP enabled.

These facilities are available even to those customers with only credit card accounts with the bank.

4. Conclusion

In the days to come, banks are expected to play a very useful role in the economic development and the emerging market will provide business opportunities to harness. As banking in India will become more and more knowledge supported, capital will emerge as the finest assets of the banking system. Ultimately banking is people and not just figures. To conclude it all, the banking sector in India is progressing with the increased growth in customer base, due to the newly improved and innovative facilities offered by banks. The economic growth of the country is an indicator for the growth of the banking sector. The Indian economy is projected to grow at a rate of 5-6 per cent and the country’s banking industry is expected to reflect this growth. The onus for this lies in the capabilities of the Reserve Bank of India as an able central regulatory authority, whose policies have shielded Indian banks from excessive leveraging and making high risk investments. By the government support and a careful re-evaluation of existing business strategies can set the stage for Indian banks to become bigger and stronger, thereby setting the stage for expansions into a global consumer base.

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