

## Emerging Trends in Banking Sector

Mrs. T.Sudha  
Mrs. M.Sathya  
A.Prasath Kumar

Research Scholar, Manonmaniam Sundaranar University, Tirunelveli  
Assistant Professor, Nehru Arts and Science College, Coimbatore  
Assistant Professor, School of Management, Kristhu Jayanti College, Bengaluru

**ABSTRACT:** The banking sector plays a vital role in building the economy of an individual as well as a nation. A strong banking and finance sector is, therefore, necessary for a country to emerge as a developed one. It is vital for growth, creation of jobs, generation of wealth, eradication of poverty, encouraging entrepreneurial activity and increasing the gross domestic product. Today banking is known as innovative banking. Information technology has given rise to new innovations in the product designing and their delivery in the banking and finance industries. Customer services and customer satisfaction are their prime work. Technology allows banks to create what looks like a branch in a business building's lobby without having to hire manpower for manual operations. One of the most significant areas where IT has had a positive impact is on substitutes for traditional funds movement services. With the advent of electronic banking, electronic funds transfer and other similar products, funds transfer within time frames which would have appeared impossible a few years ago has made it reality. The paper attempts to present the emerging trends and its challenges that recently emerged in the banking sector with special emphasis on digitalized technology.

**Key Words:** Banking Sector, Innovation, Technology, Trends etc.,

### Introduction:

Banks occupy an important position in the modern business world. No country can make commercial and industrial progress without a well-organised banking system. Banks encourage the habit of saving among the public. They mobilise small savings and channelise them into productive uses. Banks provide opportunities for safe custody and investment of money. They organise and control the issue and circulation of credit instruments. They facilitate transfer of funds from one place to another and help in the settlement of debts.

A bank is a financial institution that accepts deposits and channels the money into lending activities. Bank marketing refers to all the functions needed to cater to the financial and other closely related needs of the customer, keeping in mind the organisational objective of customer delight. Banking is an industry that is built on trust. Customers deposit their money with a bank only if they trust the bank and the bank gives loans to its customers only when it trusts them. Banks do business with customers' money by accepting deposits from them and by giving loans on interest. For any bank to conduct business, initially it is the 'trust' that matters, not the capital it owns.

### An overview of Banking Services

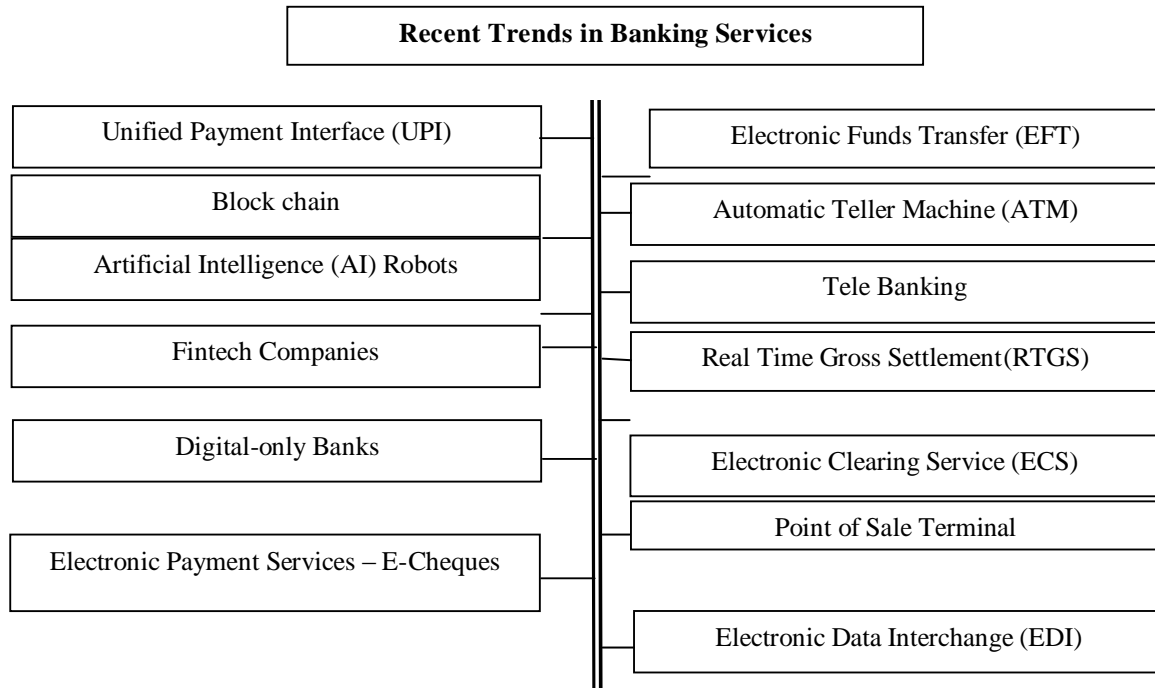
Banking systems and financial institutions are integral parts of an economy. Seamless functioning of these sectors is important for an economy to grow. Due to the advent of digital technology, banking and financial services have undergone a massive shift in their mode of operations. New trends are gaining momentum at a fast pace as the customers find it convenient and also flexible at the same time. The emergence of financial technology has resulted in the introduction of several technological advancements in the industry. Fintech companies, internet banking and mobile banking are just some examples that mark this shift. Today, we will read about the latest trends that are revolutionising the Indian banking and financial sector.

### Digitization

With the rapid growth of technology, digital services became an indispensable part of banking operations as these institutions needed to keep up with the changes and introduce innovations that made services convenient. In India, the initial phase of digitization began in the 1980s when information technology was used to perform basic functions like customer service, bookkeeping, etc. Gradually core banking solutions were also adopted to improve customer experience. The main shift came during the 1990s when liberalization opened the Indian market to the global world. Private and international banks which came into operation boosted technological changes in the banking sector. Features like online banking, IMPS (Immediate Payment Service), RTGS (Real Time

Gross Settlement), telebanking enabled customers to avail banking facilities from anywhere.

**Recent Trends in Banking Services**



**1) Unified Payment Interface (UPI)**

UPI is a trend that emerged in the last couple of years and it is revolutionizing the way we pay and receive money. Transactions can be done within seconds using this interface. Goggle Pay and BHIM (Government of India) are two major interfaces among numerous other services that enable easy payment even if you are out of physical cash.

**2) Blockchain**

Blockchain is a robust technology that is still in the development phase. Security is a major factor as far as digital services are concerned. Despite technical advances, fraud practices are still a challenge in the digital domain. Blockchain is the answer to these challenges. Like the way in which it operates, there is no scope for any malpractices in it. The technology works on computer science, data structures and cryptography.

**3) Artificial Intelligence (AI) Robots**

Many private and nationalized banks have started to make use of chatbots or Artificial Intelligence (AI) robots for assistance in customer support. The practice is still in its initial stage but will definitely evolve and make the entrance to the general public in the near future. Chatbots are one of the emerging trends that are estimated to grow.

**4) Fintech Companies**

Fintech or financial technology is indeed a disrupting force in the sector. Due to the changing landscapes in the Indian financial sector, many companies have emerged to be a significant part of this ecosystem. Fintech companies specialise in developing technology solutions that help companies to manage the financial aspects of their business, like new softwares, applications, processes as well as business models. Investments made on Fintech companies have increased drastically in the past decade making it a multi-billion dollar industry globally.

**5) Digital-only Banks**

Digital-only banks operate only through IT platforms which can be accessed using mobile phones, laptops or tablets. Digital-only banks operate in a paperless and branchless model and seem to overtake the traditional system of banks in the future. These banks provide high-speed banking facility at a low transaction charge. These virtual banks are an ideal choice for the current fast-paced world.

6) **Electronic Payment Services** – E-Cheques: Nowadays it is so much heard about e-governance, e-mail, e-commerce, e-tail, etc. In the same manner, a new technology is being developed in U.S. for introduction of e-cheque, which will eventually replace the conventional paper cheque. India, as harbinger to the introduction of e-cheque, the Negotiable Instruments Act has already been amended to include; truncated cheque and e-cheque instruments.

7) **Real Time Gross Settlement (RTGS)**: This system, introduced in India since March 2004, is a system through which electronics instructions can be given by banks to transfer funds from their account to the account of another bank. The RTGS system is maintained and operated by the RBI and provides a means of efficient and faster funds transfer among banks facilitating their financial operations. As the name suggests, funds transfer between banks takes place on a 'Real Time' basis. Therefore, money can reach the beneficiary instantaneously and the beneficiary's bank has the responsibility to credit the beneficiary's account within two hours.

8) **Electronic Funds Transfer (EFT)**: This is a system whereby anyone who wants to make payment to another person/company, etc., can approach his bank and make cash payment or give instructions/authorisation to transfer funds directly from his own account to the bank account of the receiver/beneficiary. Complete details such as the receiver's name, bank account number, account type (savings or current account), bank name, city, branch name, etc., should be furnished to the bank at the time of requesting for such transfers so that the amount reaches the beneficiaries' account correctly and faster. RBI is the service provider of EFT.

9) **Electronic Clearing Service (ECS)**: This is a retail payment system that can be used to make bulk payments/receipts of a similar nature especially where each individual payment is of a repetitive nature and of relatively smaller amount. This facility is meant for companies and government departments to make/receive large volumes of payments rather than for fund transfers by individuals.

10) **Automatic Teller Machine (ATM)**: This is the most popular device in India, which enables the customers to withdraw their money 24 hours a day 7 days a week. It is a device that allows customer who has an ATM card to perform routine banking transactions without interacting with a human teller. In addition to cash withdrawal, ATMs can be used for payment of utility bills, funds transfer between accounts, deposit of cheques and cash into accounts, balance enquiry, etc.

11) **Point of Sale Terminal**: This is a computer terminal that is linked online to the computerised customer information files in a bank and magnetically encoded plastic transaction card that identifies the customer to the computer. During a transaction, the customer's account is debited and the retailer's account is credited by the computer for the amount of purchase.

12) **Tele Banking**: Tele Banking facilitates the customer to do entire non-cash related banking on telephone. Under this device Automatic Voice Recorder is used for simpler queries and transactions. For complicated queries and transactions, manned phone terminals are used.

13) **Electronic Data Interchange (EDI)**: This is the electronic exchange of business documents like purchase order, invoices, shipping notices, receiving advices, etc., in a standard, computer processed, universally accepted format between trading partners. EDI can also be used to transmit financial information and payments in electronic form.

All these recent trends will reshape the banking and finance industry by bringing revolutionary changes in the traditional models. This shift is not devoid of challenges, but the customers are quite open to innovations and the government is also showing great support for these trends.

## CONCLUSION

The banking today is re-defined and re-engineered with the use of Information Technology and it is sure that the future of banking will offer more sophisticated services to the customers with the continuous product and process innovations. Thus, there is a paradigm shift from the seller's market to buyer's market in the industry and finally it affected at the banker's level to change their approach from "conventional banking to convenience banking" and "mass banking to class banking". The shift has also increased the degree of accessibility of a common man. Finally, the banking sector will need to master a new business model by building management and customer services. Banks should contribute intensive efforts to render better services to their customer. Nationalized and commercial banks should follow the Recent trends and to get advantage of opportunities in changing banking scenario.

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