

## Recent Trends in Modes of Banking Services in Indian Scenario

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### Abstract:

The banking industry in India has seen the unprecedented changes in the overall operation of the bank and the way of delivering the banking services to high user and to unbanked area. With the advancement in the information technology, there has been a constant innovation in the banking system, which resulted in the Digitization of all banking system and evolving innovations like, Payment Bank, Small finance bank, touch banking and mobile app based banking. This paper aims to highlight the recent trends in modes of banking in the Indian banking system.

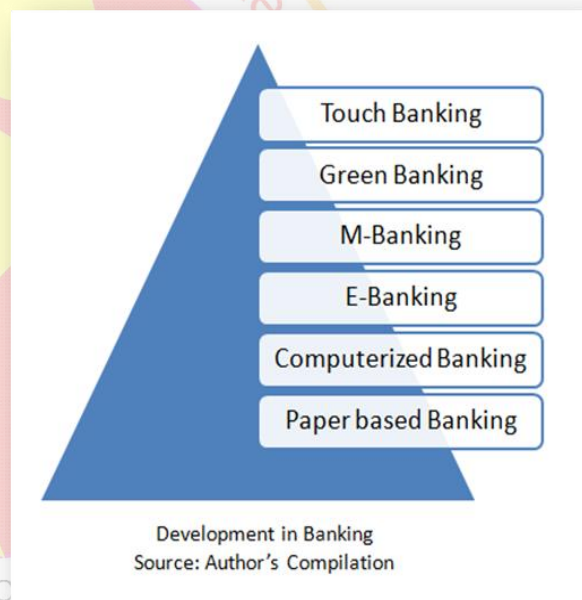
*Keywords:* banking, banking services, information technology, innovation, Digitization, touch banking, Mobile app based Banking.

### Introduction:

The changing business environment with increased in the competition in the Financial Market and the growing professionalism and numbers of financial transaction among the people in the ordinary course of business has forced the banking organization both public, private and co-operative to bring the banking at the doorstep of the people. In the process of providing easy banking to high user and to those with unbanked, the banks adopting the use of technology so that their customer base will increase and stay in the competition.

With the advancement in the technology and the increased in the used of the information technology by the people banks has adopted various technologies in their overall banking system. It has not only brought the changes in their operation but also to providing the efficient and effective services to the customer, Now the any one can access banking at anywhere and anytime.

The following diagram shows the development in the banking:



### Review of Literature:

Sanjay Kumar Dhanwani (2013) "Recent Trends in Indian Banking Industry" The banking industry has experienced a series of significant transformations in the last few decades. Among the most important of them is the change in the type of organizations that dominate the landscape. Since the eighties, banks have increased the scope and scale of their activities and several banks have become very large institutions with a presence in multiple regions of the country.'

Asma Mobarek (2007)"E-Banking Practices and Customer Satisfaction - A Case Study in Botswana" Banks' external environment, including

globalization and deregulations, have made the banks highly competitive. Banks find it difficult to compete on price, and need to look at other ways to retain customers. As customers become more sophisticated, it becomes banks essential to consider the use of

Technology to respond to their continuously changing requirements. After conducting this research, it is clearly seen that delivery channels are lacking in meeting the demands of the customer by not making them aware of e-banking and using obsolete or not too up-to-date technology.

Abey Francis (2012) "Recent Trends in Indian Banking Sector" 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, 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.

Megha Jain and G. S. Popli (2012) Role of Information Technology in the Development of Banking Sector in India, Liberalization and Information Technology has attracted many foreign banks to India, thereby opening up new markets, new products and efficient delivery channels for the Banking industry. In the development of Indian Economy, Banking sector plays a very important and crucial role. With the use of technology there had been an increase in penetration, productivity and efficiency. It has not only increased the cost effectiveness but also has helped in making small value transactions viable. It also enhances choices, creates new markets, and improves productivity and efficiency. It has been noticed that financial markets have turned into a buyer's markets in India.

Khan f. (2019) the focus of the current study is the deposit and credit activity within the SFB segment. The current study does an empirical analysis of last six financial quarters – since the launch of SFBs, using GLM repeated measures model to draw out emerging trends in terms of banking services to poor states (LIS/NES).

Jyoti Jagwani (2019) Small Finance banks are solving the basic financial problems and providing 75% of their loans to priority sector comprising of agriculture, small enterprise and low

income group. This paper analysis the role of small finance bank in Indian economy also analyses the AU bank. This study tries to measure the challenges faced by Small finance bank.

PralhadRathod and others (2017) Payment Banks are a part of a special category of banks which are authorized to offer a limited range of services to its customers, which include providing remittances and receiving payments. With the entry of payment banks, the process of shifting money from bank accounts to wallets will become truly seamless, and thus it is extremely possible that many customers may open payment bank accounts in addition to their regular bank accounts

#### **Recent Trends:**

In the process of evolution of the Banking in India there was a whole process based on the paper based, with the increased in the volume of the transaction there has been a constant used of machines. With the evolution of the Computers in the eighties banks was a major used of the computers in recording all the banking transaction. As and when the advancement in the computers and evolution in the internet technology there was a significant development in the electronic banking where in all majority of the transaction was done electronically. With this there has grown the user of ATM.

Electronic Funds Transfer (EFT) Mobile Banking also known as M-Banking, mbanking, SMS Banking etc were the major changed in the banking sector and due to which there is a constant growth in the number of customer.

After year 2011, SBI launched the concept of Green Banking where in all the transaction done through only ATM card. Recently some bank introduced the touch Banking by which a customer can done banking by self in the bank through touching and pressing the various buttons available on the touch screen in the bank.

Financial services are the various Banking and Non-banking services offered by financial institution. The nature of financial market in technological era has now been diverse and dynamic. Further with the advancement in the information technology has widened the scope of reach financial services. The growing usage of mobile phones particularly smart phones by the vast number of population of the country enabling the financial

service providers to design the strategy to tap the market at large level and ensure the financial inclusion of the non-banked population. Mobile application is one such part of information technology tools commonly used by financial institutions to offer wide range of financial services to their customers. The financial services using mobiles application includes mobile payments, loan disbursement and payments, bill pay or account information etc.

In the Union Budget 2014-2015 presented on July 10, 2014, the Hon'ble Finance Minister announced that:

*“After making suitable changes to current framework, a structure will be put in place for continuous authorization of universal banks in the private sector in the current financial year. RBI will create a framework for licensing small banks and other differentiated banks. Differentiated banks serving niche interests, local area banks, payment banks etc. are contemplated to meet credit and remittance needs of small businesses, unorganized sector, low income households, farmers and migrant work force”.*

#### **Payment Banks:**

The payments bank will be set up as a differentiated bank and shall confine its activities to further the objectives for which it is set up. Therefore, the payments bank would be permitted to set up its own outlets such as branches, Automated Teller Machines (ATMs), Business Correspondents (BCs), etc. to undertake only certain restricted activities permitted to banks under the Banking Regulation Act, 1949. The payment banks shall only accept demand deposits i.e. current deposits and savings bank deposits from individuals, small businesses and other entities, as permitted. The Payment Banks can issue ATM / Debit Cards. However Payments banks, cannot issue credit cards.

#### **Active Payment Banks in India**

1. Airtel Payments Bank
2. India Post Payments Bank
3. Fino Payments Bank
4. Jio Payments Bank<sup>[14]</sup>
5. Paytm Payments Bank
6. NSDL Payments Bank<sup>[15]</sup>

#### **Small Finance Banks**

The objectives of setting up of small finance banks will be for furthering financial inclusion by (i) provision of savings vehicles primarily to unserved and underserved sections of the population, and (ii) supply of credit to small business units; small and marginal farmers; micro and small industries; and other unorganised sector entities, through high technology-low cost operations. The small finance bank, in furtherance of the objectives for which it is set up, shall primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganised sector entities. It can also undertake other non-risk sharing simple financial services activities, not requiring any commitment of own fund, such as distribution of mutual fund units, insurance products, pension products, etc. with the prior approval of the RBI and after complying with the requirements of the sectoral regulator for such products. The small finance bank can also become a Category II Authorised Dealer in foreign exchange business for its clients' requirements. It cannot set up subsidiaries to undertake non-banking financial services activities.

#### **Active Small Finance Banks in India**

- Ujjivan Financial Services Pvt Ltd
- Janalakshmi Financial Services Pvt Ltd
- Equitas Holdings Pvt Ltd
- Au Financiers India Ltd
- Capital Local Area Bank Ltd
- Disha Microfin Pvt Ltd
- Disha Microfin Pvt Ltd
- Utkarsh Microfinance Pvt Ltd
- Suryoday Microfinance Pvt Ltd

#### **Mobile App Based Banking:**

Recently massive changes in Banking has seen right from RTGS, NEFT, Electronic Clearing Service, Point of Sale (POS) etc. further, with amendment in the Negotiable Instrument act, the

form of cheque has also been changed from paper cheque to e-cheque which is truncated. In the second decade of the twenty-first century, there is a growing usage of Smartphones with various technological applications included in it. Considering the overwhelming use of mobile application, the Banks, other financial and non-institutions started taking advantage of so called Mobile applications and accordingly designed the Application user friendly. The term refers to delivering of banking services to the customer of Banks through the use of Mobile application. The main feature of Mobile Banking is Convenience, Speed, Flexibility and Security etc. Right from Paytm, BHIM UPI, Google pay to Individual Banks Mobile Application. All these application are freely downloadable and work in a smooth manner. This is the stage where Banking can happened anytime and anywhere covering almost all Financial and non-financial transactions. Another aspect of Mobile Banking application is Mobile Wallet that enables the customer to purchase things they want online without using credit card facility.

**Conclusion:**

With the use of technology there had been an increase in penetration, productivity and efficiency. It has not only increased the cost effectiveness but also has helped in making small value transactions viable. The major challenged to the banks is to give access to the unbanked area. If these changes continue then all will be covered in the banking and true picture of the finance and economy will be appeared.

Banks in India are the major driving force in the Economy and catalyst of Social development. The Banks have been given the major responsibility of financial inclusion. Information technology and Digitization of Banking system has already proved successful in tapping the unbanked market. Many more innovation in the Banking system with the help of Digitization has been taking place. The future of the Indian Banks lies with how it will be Digital Banks that will ensure accessibility of banking services to all and in what manner. It is no doubt disruptive technology and innovative product will definitely develop by the banks for the vast number of unbanked population of the country as they have

already been done, the challenges also lies with the nature of product, process and its utility. That means the Banks has to changes itself completely in new form. This will make them to loss their individual identity and interconnected with the other banks and future probable expectation of customer towards Banking with any Bank with the having account of any Bank. The fintech and techfin type companies have also been poses greater challenges to the traditional branch banking system.

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