



A STUDY ON INNOVATIVE BANKING PRODUCTS IN THE INDIAN BANKING SECTOR

DR. SHRIKANT FULSUNDAR

Head – Banking & Finance,

Arts, Commerce & Science College, Narayangaon, Pune.

Savitribai Phule Pune University, Pune

ABSTRACT:

The Indian banking system has seen lot of change after the demonetization. Government began to focus on digital India which changed payment habits of the people. India is an economy with a population of 1400 million. In India, 85 to 90 percent of Indians use banking services. In such a country, there was an urgent need to ensure investment and greater openness in the banking sector. This requires the adoption of new technologies and innovations in banking systems and better customer support. India's banking system affects the lives of millions and should be driven by social media and national priorities.

In today's 21st century, through payment apps like Unified Payment Interface (UPI), adoption of cloud technology, net banking, e-banking, RTGS, NEFT, mobile banking, ATM, banking apps/ Paytm, BHIM, Phone Pay etc. and With the help of new technology it is possible to change this. The present research paper highlights to study on impact of IT revolution on banking sector in India and study on innovative banking products in the Indian banking sector.

Keywords: Indian Banking Sector, impact of IT revolution on banking sector in India, Technological innovation, Product and Service.

INTRODUCTION:

Since the 1990s, India began to place greater emphasis on technology and innovation. At present banking sector is well-regulated and sufficiently capitalized. India is an economy with a population of 1400 million. In India, 85 to 90 percent of Indians use banking services. In such a country, there was an urgent need to ensure investment and greater openness in the banking sector. This requires the adoption of new technologies and innovations in banking systems and better customer support. According to the data of the year 2023 there are 19 nationalized banks, 1 other public sector, 17 private banks, 11 small finance banks, 45 foreign banks, 34 state co-operative banks, 43 Regional Rural Banks (RRB). All the banks started working with the different channels, such as ATM, Debit Cards, Credit Cards, Internet Banking, Mobile Banking, RTGS, and NEFT etc. So, the banks are looking for new ways not only to attract but also to keep the customers and attain the competitive advantage over their rivals. In the 21st century, banks have evolved in new ways to be more flexible and closer to customers. Banks seem to be using new systems, new products and various financial services for banking services to achieve



sustainability through innovation and new technology. The Indian banking sector 3rd largest banking sectors in the world by 2025.

RESEARCH OBJECTIVES:

- 1) To study on impact of IT revolution on banking sector in India.
- 2) To study on innovative banking products in the Indian banking sector

RESEARCH METHODOLOGY:

The study is descriptive in nature. The data used for the study is secondary in nature and has been collected from the concerned sources as per need of the research. Various reputed journals, newspapers, relevant books, documents of departments and organizations, articles, and various websites are used in this paper writing.

IMPACT OF IT REVOLUTION ON BANKING SECTOR IN INDIA:

The opening up of the Indian economy in 1991 almost corresponded with the worldwide Internet revolution which doubly impacted the Indian private and public sector banks that were still stuck in old ways of functioning. Once Indian IT services companies started booming, it was just a matter of time before Indian banks wholeheartedly embraced technology. This paved the way for business process automation in banking, which enhanced customer service, reduced manpower costs and increased profitability. Apart from normal banking products, Indian banks started selling third party products such as mutual funds and insurance to their clients as well. This single window selling saved the customer's time and enabled the bank to enrich the relationship.

The Reserve Bank of India, not to be left behind, played its part in this transformational journey, by issuing regulations and recommendations on banking mechanization and computerization. Establishment of computerized inter-connectivity across bank branches, introduction of MICR- based cheque clearing, modernization of payment services and settlements through Electronic Clearing Services (ECS), Real Time Gross Settlement System (RTGS), National Electronic Funds Transfer (NEFT), were all significant landmarks in the banking technology revolution.

Continuing advances in technology rise in middle class income levels, and increase in demand from a consumer-oriented financial market, soon catapulted the Indian banking sector to a customer centric, technology driven, financial supermarket catering to the varied needs of its customers.

INNOVATIVE INDIAN BANKING PRODUCTS:

The Indian banking sector is currently experiencing a strengthening of the service and marketing features of the banking sector, especially with new private financial companies and innovative technological competition between foreign banks and Indian banks. Retail Banking is well known for collecting deposits from individuals and providing them with loans in the form of home loans, car loans, credit cards, etc. services, technologies, and marketing strategies have been added to their product basket.



Indian banks use the following innovative techniques and methods to develop the banking sector.

1. Credit Cards:

In the credit card system, the holder buys goods or gets services anywhere without having to worry about carrying solid money in his or her pocket. Payment is made at the card-issuing bank. The credit limit is set for individual cardholders who can choose to allow a change at the request of the cardholder. They can make a full payment or pay the minimum amount claimed upon receipt of the account or monthly stated bill from the issuers. There are gold, silver, and classic/executive card. Cards vary in the number of additional features, services, and types of services offered by cardholders.

2. Debit Card:

All purchases are deducted online from the cardholder's account on these cards. Having an Internet connection on their network at merchant sites, such cards are issued only to those customers. It works as a replacement for cash for cardholders.

3. Smart Card:

It is a prepaid card. It is the same with VCC (Virtual calling cards) and cash or SIM cards issued by mobile phone companies. In this program, the cardholder buys the card and uses it until it becomes zero. The card works with a secret PIN (Personal Identification Number) assigned to the cardholder. This card can be reloaded.

4. ATMs:

Many public sector banks and almost all private sector banks have ATMs (Automated Teller Machines) installed in registered branches and extended counters where customers can withdraw cash 24 hours at a fixed limit. In addition to withdrawing cash, ATMs allow cash and cheque deposits. Several banks have now applied

5. International Card:

This is the latest in the market, which allows cardholders to use the card in any country including the country where the card was issued. It is possible to use any foreign currency and repay the loan in the form of local currency. The credit limit is based on BTQ (Basic Travel Quota).

6. Payment Card:

Under this scheme, although the default credit limit is set for cardholders, the rotating facility is not allowed. Total use of the current payment must be complete within the specified date. The default is subject to additional payments. For ATMs on wheels and off-site ATMs for customer support.

7. Mobile Banking:

Mobile banking is a new renaissance for customers. Most consumers have bank accounts, but they still rely on money for 90% to 95% of small purchases. Mobile payments will not only require changing the type of cash-based services but will also be of great help to those buyers in terms of universal access to finance.



8. E-banking:

It is a major innovation in Banking. E-Banking means provision of banking products and services by banks directly to customers through electronic delivery channels. User can do the transitions using electronic media.

9. Internet banking:

It is a service rendered by banks so that users can find out information about their bank account, transaction, pay bills, etc., with the help of Internet. It allows users to conduct bank transactions online, instead of finding a bank and interacting with a teller. In wider sense, it is the use of electronic means to transfer funds directly from one account to another, rather than by cash or cheque.

10. Electronic clearance service (ECS):

ECS is a retail payment system that can be used to make bulk receipts/payments of a similar nature especially where each individual payment is of a repetitive nature and of relatively smaller amount. It is prepared to facilitate companies and government departments to make/receive large volumes of payments rather than for funds transfers by individuals.

11. Real Time Gross Settlement (RTGS):

It can be defined as the continuous (real-time) settlement of funds transfers individually on an order by order basis. REAL TIME means the processing of instructions at the time they are received rather than at some later time; gross settlement means the settlement of funds transfer instructions occurs individually. Considering that the funds settlement takes place in the books of the Reserve Bank of India, the payments are final and irrevocable.

12. National Electronic Fund Transfer (NEFT):

Is an electronic funds transfer system maintained by the Reserve Bank of India (RBI). It was started in November 2005, National Electronic Fund Transfer is a facility enabling bank customers in India to transfer funds between any two National Electronic Fund Transfer enabled bank accounts on a one-to- Real-time gross settlement, fund transfers through the NEFT system do not occur in real-time basis. It settles the fund transfers in half-hourly batches with 23 settlements occurring between timings 8:00 AM and 6:30 PM on week days and the 1st, 3rd and 5th Saturday of the calendar month. Transfers requested outside this time period are settled at the next available window. No settlements are made on the 2ed and 4th Saturday of the month, or on Sundays, or on public holidays.

13. Cheque Truncation System (CTS):

It is essentially means that instead of sending the cheque in physical form by the collecting bank to the paying bank, an electronic image of the cheque is transmitted to the drawee branch for payment through the clearing house, thereby it can eliminate the cumbersome physical presentation of the cheque to the paying bank, which results in saving in time and costs involved in traditional clearing system.



14. Use of 5G Technology:

With the advent of 5G mobile phones in India there will be more opportunities for the delivery of rich services. Privileged customers can receive individual financial planning advice on their mobile devices from a centralized group of consultants.

15. Net Banking:

Net banking means banking on the internet. Banking is now easier. Private Bank offers free online banking. Now the customers can do banking activities comfortably from bedroom or hotel room during holidays. Further, customers can check balance, make and stop payments, inquiry about cheque status, request for a cheque book, and access demat account. Online banking services offered such as include online tax payments, online payment of electricity and phone bills, online booking of train and air tickets, and online shopping also.

16. Demat Account:

Demat account means dematerialization account. Banks are providing online platforms for the online trading of shares. Banks are providing demat accounts by which they can buy and sell shares online and invest their money in the stock market .A customer can protect its shares, bonds, and securities from theft, loss, and damage if he or she has a demat account.

17. Kiosks:

It is a small, free-standing physical structure that displays information or provides a service to user. It can be unmanned or manned, and unmanned kiosks can be non-digital or digital. Information Kiosks can now also provide services such as passbook printing, providing loan quotes, standing order maintenance, document scanning and statement printing.

18 Digital Wallet:

It refers to an electronic device that allows an individual to make electronic transactions. It can include purchasing items on-line with a computer or using a smartphone to purchase something at a store. An individual's bank account can also be linked to the digital wallet.

19. Core banking:

It is Elements of core banking includes Opening new accounts, Making and servicing loans, Processing cash deposits and withdrawals, Processing payments and cheques, customer relationship management (CRM) activities, calculating interest, managing customer accounts, establishing criteria for minimum balances, interest rates, number of withdrawals allowed and so on, establishing interest rates, Maintaining records for all the

20. Corporate Banking:

It is also known as business banking, refers to the aspect of banking that deals with corporate customers. Service includes Over draft, domestic & international payment, funding, channel financing, letters of guarantee, working capital facility, international trade.



CONCLUSION:

In short on November 8, 2016, the government had demonetized the country. Demonetization was done many times before that. But the recent demonetization decision of the government has forced people of India to use e-banking and digital banking services in favor of digital banking services in the banking system. Nowadays, the new technology is sure that the future of banking will introduce more offers and services to the customers with the best banking product and innovations. Banking sector has also increased the accessibility of a common person to bank for their productivity and requirements. The Indian banking sector has improved the new Technology. The innovative banking technology changing reforms have changed the face of Indian banking. The banking system has improved the manifolds in terms of product and services, banking system, technology, trading facility etc. At present, global competition and deregulation in the Indian financial sector has led to the emergence of better quality products and services. Financial reforms have changed the face of Indian banking and finance. The banking sector has improved manifold in terms of technology, deregulation, products and services, information systems etc. This is reflected in the use of the above innovative banking products in the Indian banking sector.

REFERENCES:

1. Andrade, C “Banking products and services” in Indian institute of banking and Finance Paper ID: IJSER15790 14 of 14
2. A. Surendra Kumar, D. V. (2015, October). A Study on Banking Services of New Generation. International Journal of Science and Research, 4(10), 459-462.
4. G.Anbalagan. (2017, September). New Technological Changes in Indian Banking Sector. International Journal of Scientific Research and Management (IJSRM), 5(9), 7015-7021.
5. Kaur, S. (2016, November). A Study on New Innovations in Banking Sector. International Journal of Science and Research (IJSR), 5(11), 1780-1782.
6. Khan A, & Sahoo M,(2022,January), Innovative Banking Products in The Indian Banking Sector- A Study. IJLEMR, Volume 07, Issu o1, pp.13-15
7. Singh, Maithili R.P. (2014), Innovative Business Practices in Banking Industry In India, Voice of Research, 2(4), pp.54-57.
8. Shet, A. R. (2016, MAY). Technological Innovations in Indian Banking Sector. International Journal of Scientific Engineering and Research (IJSER), 4(5), 11-14.

Websites

1. <https://www.rbi.org.in>
2. <https://en.wikipedia.org/wiki>