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A Study on Recent Trends and Development in the Indian Banking Industry

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Abstract: Banks are essential for converting citizen savings into investments. A solid banking system is essential for establishing sustainable growth of a nation. Banks conduct a variety of agency tasks, including providing financial advice, selling insurance and investment goods, and more, in addition to accepting deposits and disbursing loans. Technology is essential to the effective operation of banks and other financial organisations. These institutions' online and mobile banking platforms have greatly improved. The application of artificial intelligence and the digitalization of financial services have changed the entire banking experience, enabling institutions to reduce risks and expenses while increasing client happiness. The paper looks at the trends and development in the banking environment of India.

I. INTRODUCTION

Bank are crucial for economic wellness and continuous growth of any nation's economy. Policies or initiatives that raise the standard of living and quality of life for the average person are included in economic development. The savings of a nation's residents are made accessible for investment by banks. The primary duties of a bank are to receive deposits and lend excess funds to those in need while charging interest.

Additionally, banks carry out agency duties by supplying services such as the sale and purchase of securities, the offering of mutual funds and insurance, and providing financial advising and investment services, for the customers. Banks are increasingly turning into one-stop shops for all of a customer's financial needs, unlike in the past when banking was limited to only providing services and performing financial transactions.

These days, banks place greater emphasis on cultivating relationships. Long client lines are no longer observed in banks today thanks to technology advancements that have made the majority of banking services accessible on mobile and internet banking platforms. Modern banking connections are predicated on a customer's capacity to quickly access banking goods and services digitally, via their phone or any device, as opposed to traditional banking relationships, which are based on years of in-person customer service. These days, banks place greater emphasis on cultivating relationships. Financial transactions have become quicker and simpler. Loans are easily accessible, allowing business owners to raise extra money for their operations. The execution of banking services is faster, cheaper, and of much higher quality due to the use of cutting-edge technology. Financial institutions have gained market share and a larger customer base because to digitalization and innovation in banking services.

II. OBJECTIVES OF THE STUDY

1) To investigate current banking trends in India.
2) To outline the new trends affecting the Indian banking environment.
3) To look into the prospects that banks have in the changing banking landscape.

III. RESEARCH METHODOLOGY

Secondary sources of data were used in this study including books related to banks and financial institutions, yearly reports from the RBI, online publications, etc.

IV. PRESENT BANKING TRENDS

Because of the advent of new technologies, banking trends change quickly and consistently. When compared to prior periods, banks are working towards digitalizing their services, which eventually saves money by saving time and lowering the likelihood of employee error.

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A. RTGS

The term RTGS is meant for Real Time Gross Settlement, which can be defined as a process where there is uninterrupted and actual time settlement of fund-transfers takes place. Here Real time refers to instant processing of transaction as soon as they are received and Gross settlement refers to transfer and settlement of funds separately. There is no upper cap of amount of transaction in RTGS as per RBI. It is a fast and safe method of transfer of funds from one bank to another and can be availed around the clock. The facility can be availed by visiting the branch as well as by using online banking.

B. E-Cheques

Electronically written and processed cheques are known as e-cheques. This means that an electronic network is used to move the monies from the payer's account to the payee's account rather than a traditional paper cheques. The terms "digital cheques" and "electronic cheques" are also used to describe these cheques.

C. Electronic Clearing Service

ECS is a mechanism for receiving and paying funds electronically for frequent and recurring financial transactions. Institutions use ECS to make bulk payments for the distribution of dividends, interest, salaries, pensions, etc. or to make bulk collections for the payment of repayments of loan instalment, systematic transactions of investments, etc. In essence, ECS uses the services of an ECS Centre at an ECS location to allows large-scale fund transfers through one bank account to several bank accounts, or the opposite.

D. EFT – Electoral Funds Transfer

The Reserve Bank of India (RBI) created the RBI EFT Scheme to assist banks in providing their clients with money transfer services from one bank branch to another in locations where EFT services are available.

E. Automated Teller Machine

The most common way to withdraw money in India is using this approach. Customers might choose to use this service any time. Customers can execute banking transactions at ATM without visiting the branch. Services like cash deposit/withdrawal, balance enquiry, bill payments, cheque book request etc can be done by using ATM.

F. Point of Sale (POS)

The spot where consumer pays for goods or services at merchant store is known as the point of sale, or POS. This system's hardware and software enable businesses to take payments from clients and conduct in-person transactions.

G. Unified Payment Interface (UPI)

The Unified Payments Interface (UPI) is an arrangement that allows the user to operate various bank accounts into a single mobile application. Services like fund transfer, bill payments, merchant payments can be availed by using UPI. Even just quoting the beneficiary's mobile number is enough to transfer money to their account. The UPI payment and transfer services can be availed around the clock.

H. Cheque Truncation System (CTS)

The system of terminating the physical flow of cheques from one branch to another is known as truncation. Here physical cheques of drawer is not sent to the paying bank instead its scanned image is sent by the presenting bank to the paying bank. As opposed to traditional processes, CTS provides quick and affordable fund realisation for customers. The transfer of image of Cheque from banks to clearing houses saves time, money, and labour costs.

V. EMERGING BANKING TRENDS

The banking industry has undergone some significant changes influenced by digitalization recently, growth and development of these trends will continue in the coming years. Banking has been at the forefront of change brought about by the most recent technology and swift actions taken by the Industry and the Regulators. Currently, consumers can access banking services anywhere using their cell phone. Many financial and non-financial transactions, such as transfers of money and bill payments, can be completed quickly and easily with just one click. The banking industry has moved towards digitalisation, creating endless opportunities.

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A. *Promotion of Electronic Payments*

The use of digital payments is expanding. The greatest technologically advanced systems and infrastructure are being made available by banks and other financial organisations to support digital payments. This covers tools like online and mobile banking as well as systems for processing payments.

The following are some actions banks have taken to support digital payments:

1) *Enhanced Security:* Banks are assuring secure payment systems with features like two-factor authentication and fraud monitoring as more transactions take place online or via mobile devices, cards, and even smart watches.
2) *Simplified Checkout Procedures:* Whether paying online or in-app, customers want a quick and simple checkout procedure. Banks thus employ a modern, user-friendly digital payment system.
3) *More Alternatives for Overseas Payments:* Banks are providing consumers who transfer or receive money internationally with a positive digital payment experience through real-time currency translation and affordable costs.

VI. ARTIFICIAL INTELLIGENCE

One of the developing technologies in banking that gets the most attention is artificial intelligence (AI). AI is already being used by banks for a number of operations, such as fraud detection, customer service, and mortgage approval. As banks explore for ways to increase productivity and cut expenses, it is anticipated that the usage of AI in banking will increase in the upcoming years. When it comes to the application of AI in banking, there are a few significant themes to keep an eye out for. Banks are utilising AI to automate repetitive jobs, including fraud detection, customer service, and anti-money laundering. This enables banks to increase productivity by allowing workers to concentrate on more important duties. Banks are utilising AI to improve customer experience: By utilising consumer information, banks can offer a more individualised experience. This can entail making suggestions for goods or services that the customer might find valuable. AI is used to enhance risk management by analysing data, banks are better able to identify hazards and take action to reduce them. By doing this, the bank is able to prevent losses and provide a great customer experience.

Banks are investing in fintech businesses: Numerous banks are financing the creation of cutting-edge artificial intelligence applications by fintech startups. As a result, they are able to enter new markets and maintain their leadership in this rapidly developing technology.

VII. IMPROVED CUSTOMER SERVICE

There is no question that offering first-rate customer service is essential for any company, but it's particularly crucial for banks. Banks are doing everything they can to differentiate themselves from the competition and provide their clients with the finest service possible by providing greater customer care in a highly regulated business where customers have many options. This involves giving clients better individualised care and making it simpler for them to contact a real person when they need assistance. Better customer service, in whatever form, can significantly increase bank clients' trust and loyalty.

VIII. BETTER USER INTERFACE

An effective user interface should be simple to use and visually appealing. Users will be able to locate the information they require, find their way through the website, and finish tasks quickly and easily with the help of a well-designed user interface. Web interfaces have been getting cleaner and simpler in recent years, which is a trend. Sites are now simpler to use, which enhances the user experience. To facilitate better client experience, banks are now beginning to follow this trend. Many of them are redesigning their mobile applications and online banking portals to include a streamlined interface that is simple to use and includes support tools like Chatbots, Quick links, etc.

IX. OPPORTUNITIES FOR INDIAN BANKING INDUSTRY

A. *Robust Demand*

After China, India has the second-largest population in the world. India is a nation with extreme urbanisation at the same time. In the view of V. Anantha Nageswaran, Chief Economic Advisor of India, The Indian economy is projected to reach $3 trillion by the end of the current fiscal year (2022–23), and $7 trillion during the following seven years.

India's government had earlier predicted that its economy will reach $5 trillion by 2025. With a growth in the working population and disposable money, there will be a greater need for banking and financial services in the future.

B. Innovation in Services

The globalisation, liberalisation, and technical elements that have affected consumer wants and needs, their behaviour, level of information, and innovation have caused the banking industry to undergo a revolution. Customers are more satisfied with banking innovations since they can manage their accounts and complete financial transactions quickly and at their convenience. In turn, this aids financial institutions like banks in growing their clientele and market share.

C. Rural Digitization

The rural sector accounts for over 46% of India's national income, which is a significant percentage of the nation's economy. According to the TRAI study, as of March 2020, rural internet subscribers made up more than 38% of all internet subscribers in the nation, up from about 32% in March 2017. For every 10 urban internet subscribers there are currently 7 rural internet subscribers. An obvious opportunity is being provided for the Indian banking sector by the promotion of digital banking platforms and the spread of digitalization in rural India.

D. Business Fundamentals

Banks today offer a variety of agency functions and third party products in addition to offering fundamental financial services. They also serve as a middleman for other financial services. Rising fee income is helping banks' revenue mix. The business fundamentals of banks will be strengthened by an increase in interest income and a decline in the amount of non-performing assets.

E. Policy Support

In order to give individuals access to the banking system, safeguard depositor interests, and preserve the general stability of the financial system, the Reserve Bank of India develops and executes the regulatory policy framework for banking and non-banking financial firms. The central and state governments create a number of policies and programmes to make it easier for business owners, startups, and those in need to access funding, which also helps banks expand their clientele.

X. CONCLUSION

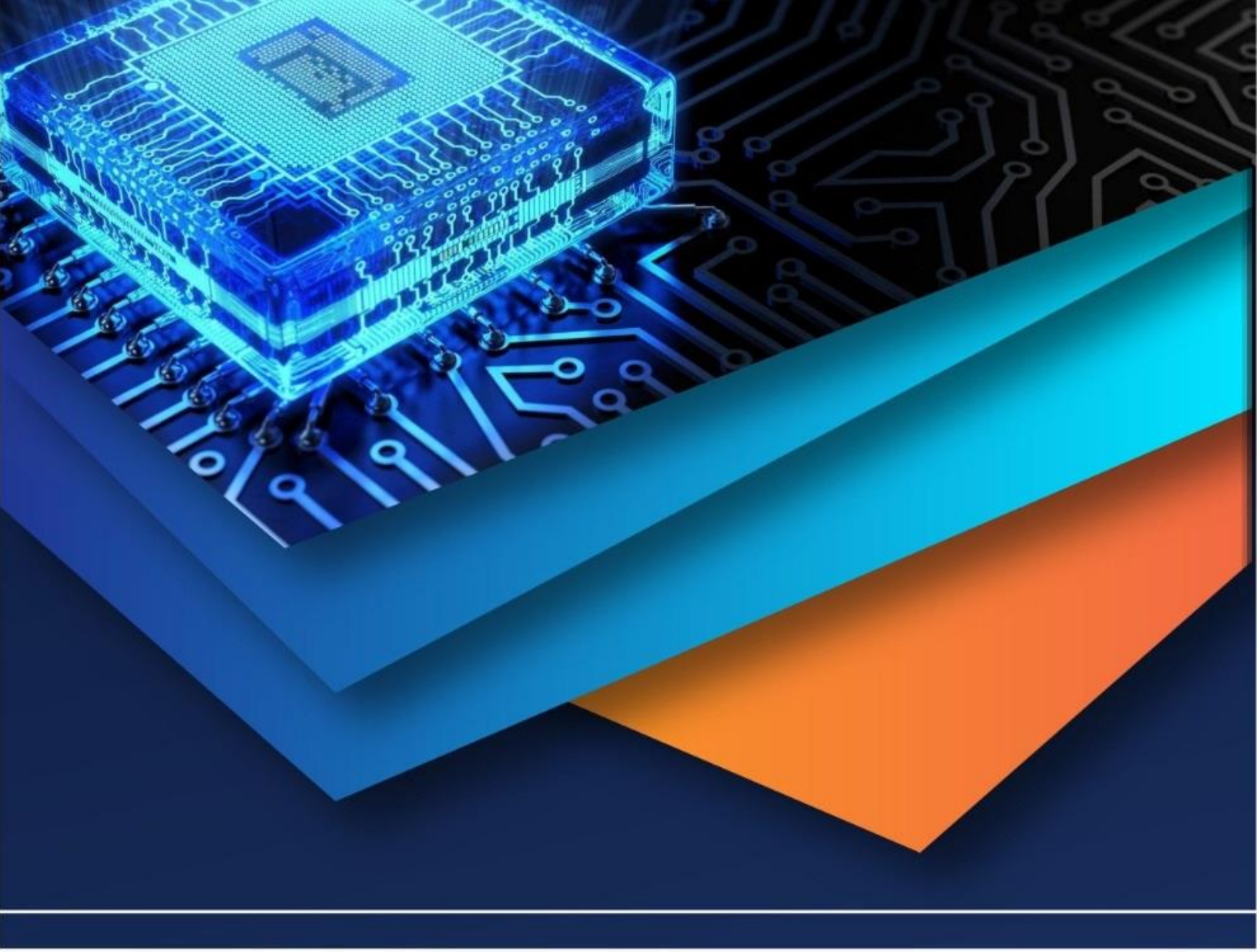
A strong banking system plays a crucial role in a country's development and in achieving sustainable growth. In addition to their basic function of accepting deposits and acquiring funds, banks also perform other tasks like providing investment services and acting as a middleman for various financial transactions. The services and facilities offered by banks have a significant impact on their performance and growth. The banking industry has seen positive trends in recent years that have increased customer penetration and satisfaction. Today, we have a well-developed and advanced banking system that is more user-friendly and consumer-oriented. The development of technology has also accelerated and improved banking services.

Nowadays, customers may access banking services at their convenience from the comfort of their homes, and they can complete financial and non-financial transactions quickly utilising digital banking. Artificial intelligence has improved user friendliness, speed, and decreased the likelihood of personnel error in banking services and applications. The banking sector will experience significant development over the next several years, with a surge in customers as a result of banks offering better services thanks to technology advancements in the financial system.

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