AN OVERVIEW OF INNOVATIONS IN BANKING SECTOR

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ABSTRACT:

The banking sector in India has been a number of changes. The banks are the lifelines of the economy and play a catalytic role in activating and sustaining economic growth, especially, in developing countries and India is no exception. Leading contributor for GDP in India is Banking Industry. Most of the banks have begun to take an innovate approach towards banking, with the objective of creating more value for customers in the banks. Banking in India has already undergone a huge transformation in the years since independence. Nowadays we have E-Banking system along with currency notes. India's monetary system can create a new instrument along with liquidity and safety. The Indian banking sector where introduced arrival of the card, introduction of Electronic Clearing Service (ECS) in 1990's, EFT, RTGS,NEFT, mobile banking, online banking are the various innovations in banking. This paper points an overview of innovations in banking sector.

Keywords: Innovate banking. Challenges of banking, New Technological changes, Indian banking sector.

INTRODUCTION:

The financial development in Indian banking industry occurred after the nationalization of 14 major scheduled banks in July, 1969 and 6 in April, 1980. In the 1990s, the banking sector in India placed greater emphasis on technology and innovation. At present Indian banking sector is sufficiently capitalized and well-regulated. There are 26 public sector banks, 25 private sector banks, 43 foreign banks, 56 regional rural banks, 1,589 urban cooperative banks and 93,550 rural cooperative banks. Central bank granted approval to 11 payments banks and 10 small finance banks in FY 2015-16. Standard & Poor's (S & P) estimates that credit growth in India banking sector would improve to 11-13 per cent in FY17.

In the 1990s, the banking sector in India saw greater emphasis being placed on technology and innovation. Banks began to use technology to provide better quality of services at greater speed. Internet banking and mobile banking made it convenient for customers to do their banking from geographically diverse places. Banks also sharpened their focus on rural markets and introduced a variety of services geared to the special needs of their rural customers. Banking activities also transcended their traditional scope and new concepts like personal banking, retailing and bank assurance were introduced. The sector was also moving rapidly towards universal banking and electronic transactions, which were expected to change the way banking would be perceived in the future

Collection of Data:

The data has been collected from secondary sources, data collected through news papers, magazines and books and internet.

Objectives of the Study:

The purpose of the study is to highlight the new innovations in the banking sector at the state and national level banks.

Recent Developments 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.

(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.

(3) Internet Banking: Internet banking enables a customer to do banking transactions through the bank's website on the Internet. 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. This is also called virtual banking. It is more or less bringing the bank to your computer.

(4) 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

. **(5) Anywhere Banking:** With expansion of technology, it is now possible to obtain financial details from the bank from remote locations. Basic transaction can be effected from faraway places. Automated Teller Machines are playing an important role in providing remote services to the customers. Withdrawals from other stations have been possible due to inter-station connectivity of ATM's.

 (6) Voice Mail: Talking of answering systems, there are several banks mainly foreign banks now offering very advanced touch tone telephone answering service which route the customer call directly to the department concerned and allow the customer to leave a message for the concerned desk or department, if the person is not available.

(7) 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 dispenses is an alternate to time saving.

(8) 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, 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.

Conclusion:

 Indian public sector banks that hold around 75 % of market share do have taken initiative in the field of IT. They are moving towards the centralized database and decentralize decisions making process. They possess enviable quality manpower. Awareness and appreciation of IT are very much there. What is needed is a 'big push' the way it was given in the post nationalization period for expansionary activities. IT and India have become synonymous. Whether India becomes a destination for outsourcing or it becomes a development centre is matter of debate. As far as banking industry in India is concerned it can be said that although the Indian banks may not be as technologically advanced as their counterparts in the developed world, they are following the majority of international trends on the IT front. The strength of Indian banking lie in withering storms and rising up to the expectations from all the quarters-catching up with all the global trends is a matter of time.

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