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An analysis of new generation banking services in the Indian banking industry

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Abstratct:-
The growth of an economy depends significantly on the banking industry. The services that banks offer to their clients in a variety of ways determine how quickly the industry will grow. Following recent economic reforms in India, the trend of expanding banking services is now considered crucial. As the system's controlling bank, the Reserve Bank of India. India currently has a fairly well-developed banking system with various classes of banks, including public sector banks, foreign banks, private sector banks of both the old and new generation, regional rural banks, and co-operative banks. Today, the banking industry supports the Indian economy during boom and bust periods, acting as its backbone. The banking industry is currently undergoing a completely unexpected paradigm shift, and in this era of cutting-edge technology and modern resources, bankers must first define what a new generation bank is in order to operate it sustainably rather than just for the sake of profit. However, there is no existing definition of what a new generation bank is. However, living in the present while hoping for a brighter tomorrow. This study sheds insight on new generation banking's cutting-edge offerings and distribution methods.

Keywords: Recent trends and developments, technologies, and banking goods and services in the sector of banking

Introduction:-

The recent adoption of cutting-edge technology in practically every country in the globe has greatly benefited the banking industry. One benefit of technology is the improvement of productivity. Other benefits include innovative products, swift transactions, seamless fund transfers, real-time information systems, and effective risk management. The resilience and effectiveness of business processes within the banking sector have also been enhanced by information technology. In adapting to the new, fiercely competitive economic environment, India's banking sector has made quick progress. An IT revolution is currently sweeping the Indian financial sector. With the progressive development of sophisticated instruments and changes in market behaviours, technological infrastructure has grown to be an essential component of the banking system reform process. Financial IT An IT revolution is currently taking place in the Indian financial sector. The importance of complete banking automation in the Indian banking industry is rising due to a mix of regulatory and competitive factors. According to participants at the World Economic Forum's India Economic Summit, India's financial innovation is essential to ensuring equitable growth by bringing hundreds of millions of people into the banking system. Undoubtedly, the ability to build new products, develop better processes, and implement more effective solutions for more complex financial problems has received more attention as a result of the financial services industry's deregulation and growing competition within investment banking. These financial innovations are the result of a variety of government rules, tax laws, globalisation, liberalisation, privatisation, integration with the global financial market, and rising risk in the domestic financial system. The process through which financial managers or intermediary entities in the financial markets add value to already-existing, simple goods that meet consumer needs is known as financial innovation. Financial innovation, in the words of John Finnerty, "involves the design, development, and implementation of novel financial instruments and procedures, as well as the formulation of creative solutions to Payment of utility bills, Fund Transfers, Internet Banking, Retail Banking, Debit & Credit Cards, Free Advisory Services, Implementation of Standing Instructions of Customers Telephone Banking, and many other advancements in the banking and financial sector.

We currently have a reasonably well-developed banking system with several kinds of banks, including co-operative banks, foreign banks, regional rural banks, and public sector banks. Of all the banks, the Reserve Bank of India (RBI) is the most important. Maintaining monetary stability (moderate and stable inflation) in India is the RBI's top priority. The RBI utilises monetary policy to preserve credit availability and price stability. The bank rate, repo rate, reverse repo rate, and cash reserve ratio are the rates the RBI uses to accomplish this. For a some now, lowering inflation has been considered one of the top priorities.

Review Of Literature

Financial innovations increase financial intermediation, lower financial risks, cut capital costs, and hence boost wellbeing. The main goal of the financial system is to make it easier to distribute and use economic resources in an uncertain environment (Merton, 1992).

Financial innovation lowers costs and lowers risk, which helps to ensure smooth operation and increases the system's overall efficiency. More generally, the financial system has been driven toward higher economic efficiency via financial innovation (Merton and Bodie 2005)

Technology advancements are predicted to impact how the banking industry operates, according to Avasthi & Sharma's study from 2000–2001. The delivery methods used by banks for retail banking have changed as a result of technology. Additionally, it has an effect on bank markets. t . The difficulties that the banking sector and its regulator face were also covered in the report.

B. Janki (2002) examined how technological advancements are influencing workers' productivity. Without a question, public sector banks in India will need to embrace technology to increase operational effectiveness and client services. The study finds that technology is the only means available to them for achieving their objectives, thus there will be a greater emphasis on it than ever before to enhance customer services, create new products, tighten risk management, etc.

Jalan, B. (2003), The IT revolution has significantly changed the banking sector. Perhaps no industry has been impacted by technological advancements more than banking and finance. It possesses the most crucial element for coping with the escalating competitiveness & the quick spread of financial technologies.

The impact of technology on the banking industry was examined by Mittal, R.K., and Dhingra, S. in 2007. They looked at the technology investment environment in Indian banks, although this research was done before the Information Technology Act, and technology in Indian banks was highly underdeveloped at the time. However, both researchers did a good job of outlining their positions.

In his 2007 study, Padhy, K.C., addresses the banking industry's future while also examining the effects of technological advancement on the financial system. There will be comparative advantages thanks to the key capabilities.

Objectives

・To investigate the new-generation banking industry and its offerings

• To showcase technology advancements in the Indian banking industry
• To research the newest developments in banking technology.

Research Methodology

This study, which is grounded in the analysis of secondary data, aims to shed light on the new generation of financial services available in the Indian banking industry.

Recent Trends And Development In Banking Sector

We currently have a reasonably well-developed banking system with several kinds of banks, including co-operative banks, foreign banks, regional rural banks, and public sector banks. Of all the banks, the Reserve Bank of India (RBI) is the most important.

Maintaining monetary stability (moderate and stable inflation) in India is the RBI's top priority. The RBI utilises monetary policy to preserve credit availability and price stability. The rates used by the RBI to determine the cash reserve ratio, repo rate, and bank rate. For a some now, lowering inflation has been considered one of the top priorities. All around the world, the banking industry has experienced unrestricted growth and diversity. In order to provide domestic banks a serious challenge and enable clients to access the best services, the government opened the door in 1991 for foreign banks to establish operations in India and offer their extensive range of facilities. The Reserve Bank will continue to hone prudential standards and strengthen its supervisory system in an effort to adopt the finest global banking practises. The business of big commercial banks has undergone a lot of innovation and diversification. Some of them have worked in the fields of credit cards, leasing, mutual funds, internet and phone banking, merchant banking, and consumer and business credit. For leasing, mutual funds, and merchant banking, a few banks have already established subsidiaries, and many more are in the process of doing so. A few banks have started offering factoring services.

Nowadays, banks refer to themselves as "new generation banks" based on the services they provide or the time since their formation or acquisition. However, this should not be done because it entirely depends on how they operate in terms of putting strategies into practise, coming up with new investment plans, managing funds, taking care of non-performing assets, paying attention to how their workforce is hired and kept by assessing their true abilities, and so forth. "Fresh generation banks are not merely banks that are putting a new strategy into practise in order to survive. But banks that are working to change the way internal and external activities are organised, as well as initiatives by taking into account traditional human values and utilising contemporary technology, are doing so in order to combat the constantly shifting market requirements and customer preferences. By carefully managing and investing the finances to generate maximum profit and goodwill for the long run of the firm, it could lead to the creation of higher revenues. Similar to how years go by and time moves forward, firms that are actively involved in bringing about change and surviving it by employing cutting-edge and successful tactics to benefit the following generations can be regarded as such. As a result, in this process, the bank that excels with its innovative strategy is to be considered a new generation bank since the strategies used to demonstrate customer service and welfare are only a marketing strategy that attracts customers, but on a long-term basis, it's only the internal affairs and money management strategy that helps a business retain its position in the market.

Development In New Generation Banks

Electronic Payment Services - E Cheques

We frequently hear the terms "e-government," "e-mail," "e-commerce," "e-tail," etc. today. In a similar vein, a new technology is being developed in the US to enable the introduction of electronic checks, which will eventually replace traditional paper checks. India has already revised the Negotiable Instruments Act to incorporate truncated checks and electronic checks as a precursor to the adoption of e-cheques.

Real Time Gross Settlement (RTGS)

Today, words like "e-government," "e-mail," "e-commerce," "e-tail," etc. are routinely used. Similar to this, a new technology is being created in the US to allow for the introduction of electronic checks, which will ultimately replace conventional paper checks. As a step toward the implementation of e-cheques, India has already changed the Negotiable Instruments Act to include shortened checks and electronic checks.

National Electronic Funds Transfer (NEFT)

The money is often transferred from the customer remitting it to the recipient account on the same day. According to the RBI's standards, settlement or clearance of funds happens in batches. The optimum option for retail remittances is typically NEFT because it allows for the transfer of any quantity of money. Customers with Internet banking accounts can transfer money independently across the country using the NEFT feature. Customers can also transfer money using NEFT by visiting any bank branch that supports the service and leaving the necessary instructions for the transfer - either from their bank accounts or by making a cash payment. There are restrictions on the amount of money that can be transferred to Nepal via NEFT.

Electronic Funds Transfer (EFT)

A person can go to their bank and make a cash payment or offer instructions/authorization for money to be sent straight from his own account to the bank account of the recipient or beneficiary via the Electronic Funds Transfer (EFT) system. To ensure that the funds are transferred correctly and quickly to the beneficiaries' accounts, complete information such as the recipient's name, bank account number, account type (savings or current account), bank name, city, branch name, etc. should be provided to the bank at the time of requesting such transfers. EFT is a service offered by RBI.

Electronic Clearing Service (ECS)

In particular, when each payment is repetitive and of a relatively small value, the Electronic Clearing Service is a retail payment system that can be used to make bulk payments/receipts of a similar sort. Instead of being used for private cash transfers, this facility is designed for businesses and government agencies to send/receive massive amounts of payments.

Automatic Teller Machine (ATM)

The most widely used technology in India is the automatic teller machine, which allows users to withdraw cash seven days a week, 24 hours a day. It is a device that enables customers using ATM cards to carry out typical banking operations without speaking to a live teller. ATMs can be used for more than just cash withdrawals. They can also be used to pay utility bills, transfer money between accounts, deposit checks and cash into accounts, check balances, and more.

Tele-banking

Tele banking is another innovation, which provides the possibility of 24 hour banking to the customer. Based on the voice processing capability found on bank computers, telebanking is possible. The caller, who is typically a customer, can check the amount in his account or other transaction history whenever he phones the bank. In this method, a modem is used to connect the bank's computers to a telephone link. The software has a voice processing feature. This software recognises the caller's voice and gives him the appropriate response. Some banks also employ telephone answering machines, however these are only used for a few quick tasks. Currently, telebanking is the only telephone answering service available. Since the wait times at ATMs are getting excessively long, telebanking is becoming more and more popular.

Internet Banking

Through the bank's website on the Internet, a customer can conduct financial transactions by using internet banking. It is a system that allows users to access accounts and general information about bank products and services while seated at their desk or home using a computer. Another name for this is virtual banking. Essentially, it brings the bank to your PC Traditional banking requires visiting the branch in person to make cash withdrawals, deposit checks, or get a statement of accounts, among other things. However, internet banking has revolutionised the way people do their banking. Now, anyone can conduct all of these types of transactions on his computer via the bank's website. Through the use of sophisticated, multi-layered security architecture, including firewalls and filters, all such transactions are encrypted.

Mobile Banking

An outgrowth of online banking is mobile banking. With recent advancements in mobile software and phone designs, the majority of banks are already paying attention to this trend. This service is provided by the bank in collaboration with cellular service providers. A mobile phone must support WAP or SMS to use this service. Even consumers who merely have credit card accounts with the bank can use these services.

Point of Sale Terminal

A magnetically encoded plastic transaction card that identifies the customer to the computer and a point-of-sale terminal that is connected online to computerised customer information files at a bank are both known as POS systems. During a transaction, the computer debits the customer's account and credits the retailer's account with the purchase amount. Phone banking The customer can conduct all of their non-cash related banking through telephone thanks to tele banking. Automatic Voice Recorder is utilised with this device for simpler inquiries and transactions. Mandated phone terminals are used for complex inquiries and transactions.

Electronic Data Interchange (EDI)

Electronic Data Interchange (EDI) is the electronic interchange between trading partners of legal documents such as purchase orders, invoices, shipping notifications, receiving advices, etc. in a standardised, computer-processed, and widely recognised format. Electronic financial information and payments can also be transmitted through EDI.

Challenges Faced by Banks, vis-à-vis, IT Implementation

It is becoming more and more important for banks to evaluate and determine the advantages of technology adoption. The benefits of technology will undoubtedly taste much better once the returns can be calculated in absolute terms, but there must be safeguards and safety nets in place. Concerns about "security" have also been raised by the growing use of technology in banks. Banks should have a well-documented security policy in place, including network security and internal security, to prevent any blunders on this account. The banking industry has benefited from the passage of the Information Technology Act, and banks should now make sure to strictly adhere to its covenants. Additionally, an attempt should be made to include e-business in the nation's consumer legislation. While some invest in technology to spur corporate growth, others are compelled to do so in order to remain in operation. The main challenges and issues in the use of IT in banking operations are the selection of the appropriate channel, justification of IT investment on ROI, e-governance, customer relationship management, security issues, technological obsolescence, mergers and acquisitions, penetration of IT in rural areas, and outsourcing of IT operations.

Future Outlook

Today, everyone is persuaded that technology will be the key to the future of banking. Without the IT revolution, the advancements in banking today would not be conceivable. Therefore, the crucial element is that banks must correctly comprehend the change's catalyst and determine the most appropriate starting point for the change before implementing it.

Conclusion

Banks are anticipated to be highly helpful in the economy's future growth, and the developing market will offer commercial prospects. Capital will become the best assets of the banking sector in India as banking becomes more and more knowledge-based. In the end, banking is about people, not simply numbers. All things considered, the banking industry in India is growing and expanding its customer base as a result of the banks' newly enhanced and cutting-edge facilities. The country's economic growth serves as a leading indicator for the expansion of the banking industry. The Reserve Bank of India, a competent central regulatory body whose policies have protected Indian banks from overleveraging and making high-risk ventures, bears responsibility for this. Government assistance and a careful review of current business tactics can pave the way for Indian banks to grow larger and more powerful, which will pave the way for expansions into a larger global consumer base. Any bank cannot achieve long-term success without the creation of fresh business concepts, cutting-edge goods and services, and a laser-like emphasis on customer retention. A favourable and consistent client experience that can turn banks into trusted advisors must be ingrained in banks' DNA. This is more crucial now than at any other moment in financial history. The best alternative for adoption may differ from bank to bank, even though this article offers a perspective on new age banking and its trends, what their clients anticipate the banks of tomorrow to look like, and what they should focus on.

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