International Journal of Advance and Applied Research
www.ijaar.co.in
ISSN – 2347-7075 Impact Factor – 7.328
Peer Reviewed Bi-Monthly
Vol.10 No.3 Jan – Feb 2023

Radical Change In Banking By The Virtue Of Innovation

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DOI-10.5281/zenodo.7701445

Abstract

In response to the globally changing and demanding economic climate, the banking industries have undergone tremendous development. Everyone is seeking to outperform one another in today's liberalized, competitive society, and as a result, the law of the fittest has taken hold. Insurance firms must reduce costs and provide better customer service in order to remain competitive. The moment has come to select and implement the best possible distribution strategy so that insurance businesses can benefit and be of the greatest service. Guests in the main foodways. The distribution channels utilized by carriers and insurance industry intermediaries may be the largest growth drivers in this industry. The wise course of action going forward will be to sell and distribute insurance goods through many channels. Even when an innovation cannot be patented or protected by copyright, as in the case of the life insurance sector, it is still a significant means to spur industry growth. The study examines six significant innovations in life insurance that have been widely adopted by the industry and finds that larger organizations are more likely to do so than smaller firms.

Keywords: Banking industries, Innovation, Development, Benefit.

Introduction

This chapter provides an explanation of E-Banking goods and services, including ATMs, debit and credit cards, internet banking, electronic fund transfers, and electronic clearing services. Prior to it, all of India's banks were private institutions. To meet the needs of the populace's banking, they were established during the period before independence. Public sector banks eventually came to dominate the banking structure, however, with the nationalization of banks in 1969. In 1994, as part of its objective of liberalizing the Indian Banking Industry, the Reserve Bank of India supported the establishment of private banks, turning the tide on private-sector banking in India. One of the first companies to get "in principle" authorization from the Reserve Bank of India (RBI) to open a bank in the private sector was UTI Bank. Private banks have been crucial to the growth of the Indian banking sector. They improved customer service and efficiency in banking. They have shaken public sector banks out of complacency and forced them to become more competitive in the process. India's economy has one of the quickest growth rates in the world, which is now widely acknowledged. Evidence from all across the world points to the necessity of an advanced and stable banking system for long-term economic growth. In comparison to other emerging nations, India has a better financial system. Internet banking services were originally introduced to the banking sector by private banks in India. Private Banks realized that developing a network in rural areas of the country is a very challenging challenge due to their late arrival into the business.

Review Of Literature

Soon the world is entering into the third decade of the twenty-first century (3D/21C) with advanced technologies (such as FinTech, Insures, and Blockchain Technologies) in all fields. Globally 3D/21C Technologies are going to affect financial services in a multitude of ways in the Globalization and Digitalization era. The present research study is an attempt to list out and study the role of the advanced technologies which are going to drive and affect greatly the financial services especially in the Banking and Insurance sectors in the period of 3D/21C globally. We tried to describe various aspects of the phenomenon in this context; hence, we followed the descriptive type of research methodology in the present study. Although there are many existing studies in nature, Banking and Insurance fields are the main focused sectors in the current research study. Researchers examined the role of FinTech and Insures on these sectors and concluded. We analyze the interaction between growth and financial development in a model of product innovation. Innovation is risky and can be monitored only imperfectly and at a cost. Financial intermediaries emerge endogenously to avoid the duplication of monitoring activities and negotiate contracts with innovators which induce optimal effort through a combination of incentives and monitoring. A positive correlation emerges between growth and financial development. The optimal degree of monitoring depends on factor prices and increases with capital accumulation. Improved monitoring, in turn, allows 'banks' to offer better insurance terms to entrepreneurs and yields a higher level of innovative activity.

The global economic recession caused by the misdeeds of investment banks such as Lehman Brothers, Goldman Sachs aided and abetted by insurance behemoths such as AIG led to the collapse of the investment banking industry in the US, failure of over 60 banks and financial markets meltdown. Due to the interlinked nature of the global economy and with many central banks and institutions across the world holding securities of the investment banks, the failure of investment banks led to panic across the world and huge losses. The crisis has led to the great loss of investor wealth, huge job losses, loss of investor confidence, increased risk of counter-party losses, and a steep decline in demand and exports. Economies across the world face a bleak future in terms of GDP growth rates and trade losses. The Indian insurance industry which has enjoyed healthy growth rates and is one of the fastest-growing insurance markets in the world is expected to be impacted by the global economic recession. The entry of many private companies has created a paradigm shift in insurance marketing in India in terms of products, tariffs, customer service, etc., and has been the prime cause of the upswing in the insurance market. Considering the fact that insurance penetration in the country is abysmally low when compared to other developing countries it is imperative that the growth momentum is sustained. This paper explores the strategies that insurance companies can adopt in order to ensure that they continue to maintain high levels of growth in order to be able to counter the negative impact of the global economic recession.

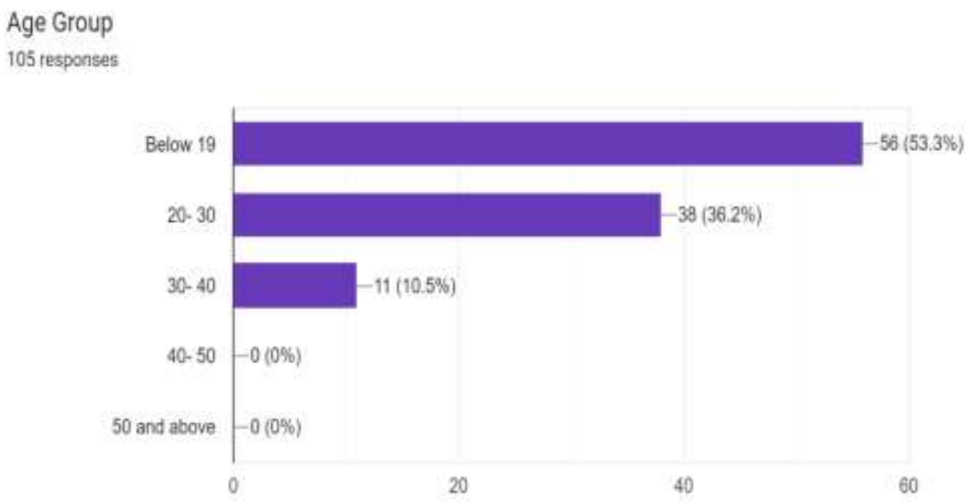
Research Methodology

UNIVERSAL SAMPLING METHOD: METHOD	SIMPLE RANDOM SAMPLING
	CONVENIENT SAMPLING
SAMPLE SIZE:	105
METHOD OF DATA COLLECTION:	PRIMARY
	SECONDARY
PRIMARY DATA:	QUESTIONNAIRE
	OBSERVATION
SECONDARY DATA:	NEWSPAPER
	ARTICLES
METHOD OF DATA ANALYSIS:	PIE CHART & TABLE
AREA OF RESEARCH:	MUMBAI

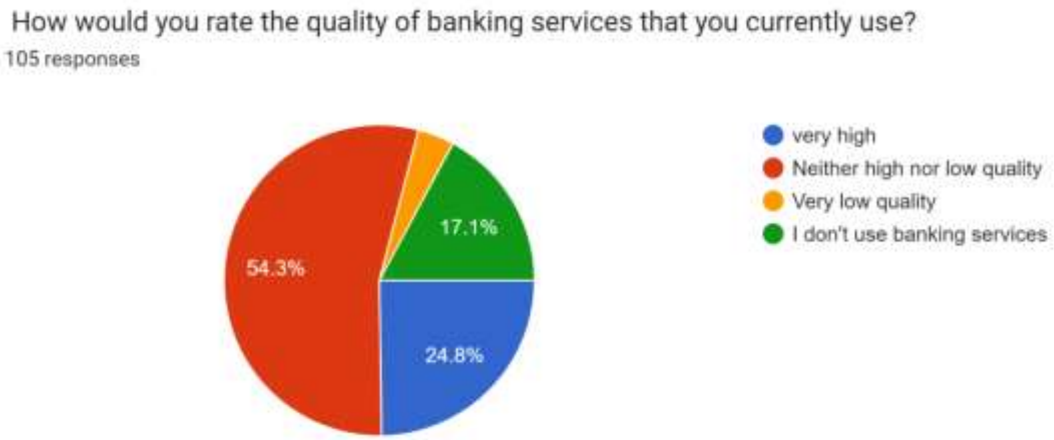
Data Interpretation:

a. We have seen that the majority of young people utilize online banking, or "E

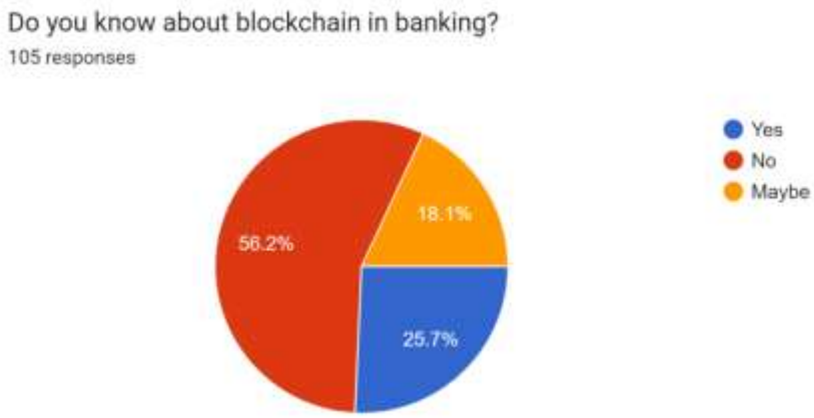
Banking," which indicates that they believe it to be a convenient way to conduct banking from any location at any time.



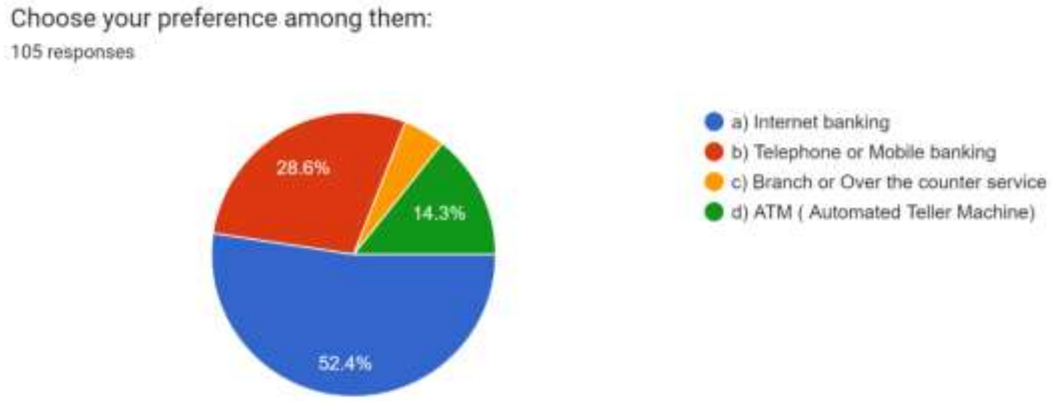
b. 54.3% of people say they are happy with how the financial system uses innovation.



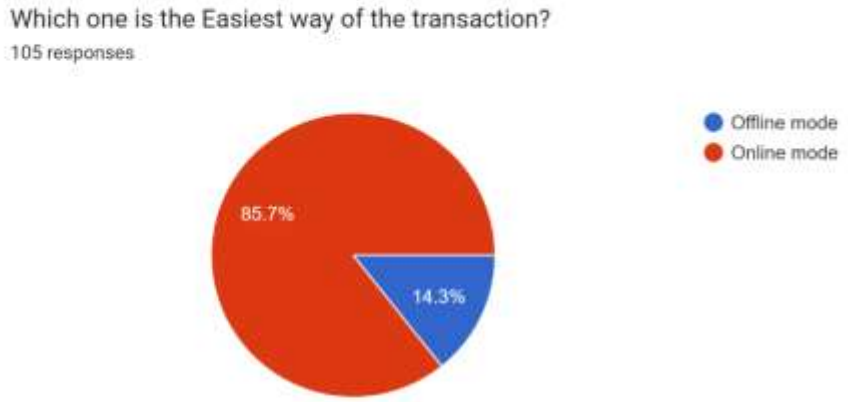
c. Out Of 105 respondents, 25.7% were aware of the bank's blockchain innovation, while the remaining 56.20 percent were not.



d. Around half of the population mostly prefered to use internet banking.



e. 85.7% wants to use online method of banking system.



FINDINGS OF THE STUDY

It is essential to support the expansion of a financial company or industry even when an innovation cannot be protected by a patent or copyright, as is the situation with the life insurance industry. Larger organizations are more likely to adopt these advances than smaller firms, according to the study's analysis of six important life insurance technologies that have been widely accepted by the industry.

E-delivery channels are now commonly used by many banks in daily operations. The E-banking products and services are listed below.

A. System of electronic payments

There are many different types of electronic payment systems, which can be categorized into two groups: wholesale payment systems and retail payment systems. For non-consumer transactions—transactions between and among banks, corporations, governments, and other financial service providers—wholesale payment systems are available. Systems for retail electronic payments cover all consumer-related transactions. These transactions entail the use of payment methods such credit cards, debit cards, point-of-sale (POS) terminals, home banking, and telephone bill-pay services, among others. Transferring money is referred to as paying. Always considered to be a significant medium of exchange and payment tool, money. The primary form of payment at first was the barter system.

B. Mobile technology innovations

(i) **Technology**

That current trends show that technology going forward will be mobile-first and cloud-driven is not in question as most industry leaders have already configured their organizations and strategic plans around this reality. It's also interesting to note that mobile technology has been by far the most rapidly adopted technology in developing markets, with a high rate of adoption of both feature phones and smartphones. Add to that the reality that connectivity and use of the Internet is also increasing at a fast rate in the developing world, with infrastructure companies investing billions of dollars to enhance connectivity and you get a pretty good picture of how technology is and will transform lives.

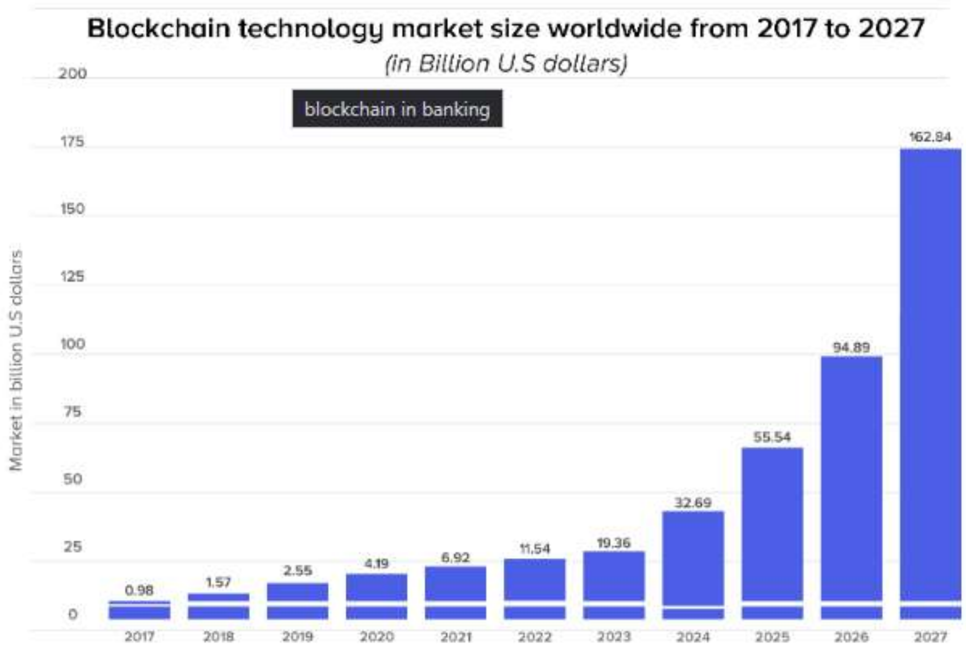
(ii) **Mobile technology innovations** Over the years, peer-to-peer mobile money transfer solutions based on electronic wallets have found use among the “banked” and “unbanked populations as they are used to send funds from one person to another. There is strong evidence of this trend in the developing world, especially in Africa. Even though this has not resolved the financing dilemma, this goes to show that the marginalized populations do in fact engage in economic activities and they have widely adopted mobile technologies of one form or another. This leaves room to innovate solutions that can be deployed to democratize access to finance.

C. PLASTIC MONEY

Banks has undergone a significant transformation as a result of technology with the development of items that are alternatives to cash or paper money. Plastic cards are one of those innovations that allow customers to access banking services simply by having the card issued by the bank, and that too outside of regular business hours. Since many years ago, plastic cards have been used in the nation as a part of electronic banking. However, only in the past five years has the usage of cards increased. The country's preferred method for making retail payments is increasingly using credit or debit cards.

D. BLOCKCHAIN TECHNOLOGY

Global banking institutions have started to move in the direction of business models driven by digitalization, such mobile banking. Yet, the initiatives have mostly been sidelined when it comes to using blockchain in banking. In contrast to the attention that blockchain technology is receiving in other industries, banks are hesitant. The fact that the technology is expected to rise from \$4.9 billion in 2021 to over \$67.4 billion by 2026 is a sign of this.

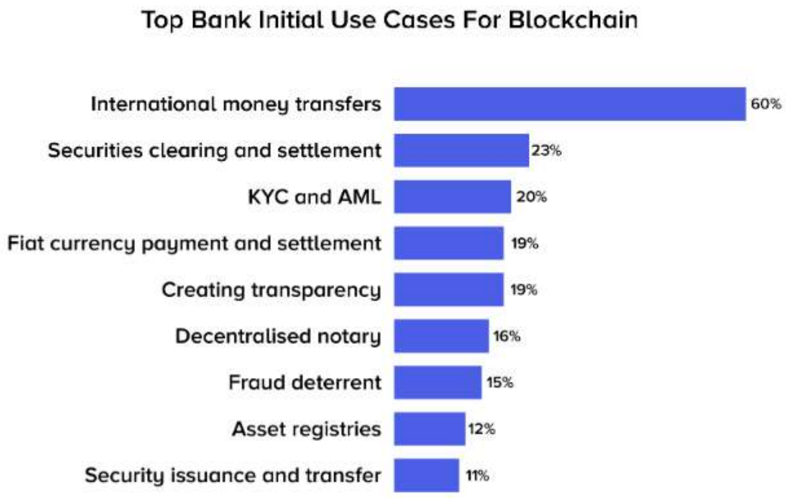


What various financial use cases exist for blockchain technology?

Several processes in the banking industry employ blockchain technology. Uses that make the industry decentralized.

Currently, extra fees and sluggish payments cause trillions of dollars to be made and lost, respectively. For instance, if you are in San Francisco and send money to London, both your bank and the bank receiving it will charge you a flat cost of \$25.

In open blockchains, anyone may send and receive money instantly and without any transaction fees with cryptocurrencies like Ether and Bitcoin. Also, because the payment occurs on a decentralized network, there is no need to validate the transaction, which makes the money transfer using blockchain in banking and finance faster and less expensive.



CONCLUSION

The banking field is ripe for disruption, and figuring out how to do it requires us to connect the disparate dots, particularly how technological changes make it possible to radically change how banks finance economic activity. Part of the reason why banks can't serve the marginalized is because of the cost of doing so. They have extremely skilled people who cost more than the unbanked can afford. Yet disruptive innovation as proposed herein has the power to change that game, and bring the cost to close to zero. It's transformational.

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