

INNOVATIVE TECHNOLOGY IN INDIAN BANKING SECTOR–A PROSPECTIVE ANALYSIS

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ABSTRACT

The Indian banking industry had made a noticeable shift from the traditional banking to channel-based banking. Banks are offering quick and transparency services to the customers via electronic channels. The current trend of virtual banking has gained more demand among the prospective customers. This paper contributes to understand the innovative techniques that will take over the Indian Banking industry in the near future.

KEYWORDS: *Indian Banking Sector.*

INTRODUCTION

Indian Banking sector have witnessed a large change in the industry through its long journey. Technology and innovations have paced greater impact in the Indian banking sector. Banks by adopting the new innovation in technology, provided better customer services. The banking has changed its role from financial intermediary to financial service provider. The RBI annual report 2020-2021 reveals that the total digital transaction volume stood at 4,371 crores. The pandemic condition has increased the adoption of digital transactions and payment system to access the banking services.

Online deposits, fund transfer, mobile wallets, e-bill payment have become the fundamental norms for rendering financial transactions for every industry. With the higher demand on digital services in banks, Artificial Intelligence found to be the core of digital banking transformation in India. The entire banking process has become more convenient and stress free for customers by the growth of fintech and neo-banks.

OBJECTIVE OF THE STUDY

- To study the technology innovation in Indian Banking Sector
- To study the prospective technology trend in the Indian Banks
- To highlight the impact of the future innovative tech trend

METHODOLOGY

- Research Type: Descriptive Research
- Data Collection: Secondary data collected from research articles, journals, website etc.

Technology Innovations in Indian Banking Sectors

Over a decade, Indian banking sector had spectated many changes in the banking industry. Technology innovation have changed the structure of Indian Banking industry. Financial innovation in association with technology have changed the banking ideas. Banks has to introduce new products and services to get the best response from the prospective customers. New technology creates an infrastructure for the banks to provide different range of services as per the demand of the customers. Banks should ensure that the technology to be tailored to the need of the different sectors of people (Akilandeswari 2016). Currently we adopt electronic payment method along with currency note. Spread of digital connectivity and smart phone. Reserve Bank of India has encouraged the banks to adopt Business Intelligence to improve the transparency and control over the banking business. Automated Data flow has been a strategic step, which ensure the correctness and consistency of information from banks to RBI without manual involvement. The industry has turned into competitive in nature after the intervention of foreign and private banks in India.

Introduction of Credit/Debit Card, ATM, NEFT, RTGS CTS, CBS are found to be the notable early innovations in the Indian Banking sector. RBI permitted National Payments Corporation of India (NPCI) to raise the mobile banking services and increase the IMPS (Immediate Payment Service) channels like ATMs, internet, mobile etc.

Prospective Tech Trend in Indian Banks

Open Banking

Open banking is the run-through of agreeing third-party payment service and other financial service providers to access banking transactions and other data from banks and financial institutions. It uses Application Program Interface to share the bank data of customers with third parties. Banks by associating with fintech, have made their services available more easily to their customers. Through the use of apps, the payment activity have become more easy and time less activity. Open banking provides consumers a different range of services better than traditional digital banking used to provide.

Blockchain Technology

A Blockchain Technology refers to a decentralised and distributed ledger that records the ownership of digital assets. The information of stored in Blockchain cannot be modified. The transaction of blockchain will be complete, when all the parties of transaction collectively approve it. The blockchain technology found to have great impact in the Indian Banks. This technology is in the starting phase in India and will have deeper impact in the Indian banking system (Divya sharma, 2020).

The Key features of blockchain are

- Near Real time updates
- Distributed Ledger,
- Cryptographically sealed
- Chronological and time stamped.

State Bank of India is the first Indian Bank in creating a financial blockchain association of 10 commercial banks. The blockchain will bring a revolution in the Indian banking sector in the near future.

CLOUD BANKING

Cloud based system helps the banks in automated workflow. It is the primary system that does the routine banking transaction. It allows the banks to utilize the resources with great flexible and efficient way. Cloud banking takes away the work of managing the physical infrastructure and complex technology network. According to the report of IDC, about 80% of Indian banks are going to adopt the cloud banking technology by 2024.

Impact of Innovative Tech Trends

Practicing innovative technology in banks helps to attract, satisfy and retain the present and prospective customers in the constantly changing and competitive environment. Customers always favourable to the banks that adopt to the innovative approaches because the technology minimise the cost of obtaining the service from such banks (Agolla 2018). Changing needs of the customers and the rapid improvement in the technology force the banks to shift towards the innovative practices. Technical innovation helps the banks to improve their performance level. The banks which are aiming in brand building, should focus on the digital customer's experience. Some of the benefits that the customers and the banks could enjoy as the impact of the future innovative trends are as discussed below.

Customer Processing Cost

The processing cost of financial products and the customer acquisition cost I quit high for traditional banking system. This can be reduced by adopting the open banking technique. India is bond to move towards digital, since the customer acquisition cot trends close to zero.

Manage Complex Customers' needs

The Application Programming Interphase helps the banks by reducing administrative burdens on the branch employees. It allows them to focus on the customers interactive activates rather than spending their work with the routine payment truncations.

LOW OPERATION COST

The usage of latest technology in branches will reduce the operating cost of banks. The API will minimise the labour and hardware expenses.

ELIMINATE INTERMEDIARIES

Blockchain technology which is pilled by the cryptography, removes the intervention of third parties. It minimises the indirect cost since the parties transact directly with each other.

CONCLUSION

The transformation in the banking industry by adopting the innovative technology had provided different benefits to its customers. The banks have restructured their bank activities and operations with the innovative technologies like open banking model. The banks that could win the digital race who could continuously provide tailored services to their customers. Open banking technology helps the banks to come of the problems of increasing customer centricity, lowering operating cost and complex customers need. The open banking technique provides new opportunities to develop business models like B2B2C or B2B2B instead of straight business mode. The Indian banks have identified the skill gap in the

major areas which includes cyber security, maintain customer security, business development with new technology etc. The future trend of technology could help the banks to meet the demand of moving to the new era of Artificial Intelligence.

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