

RECENT TREND IN BANKING AND FINANCE - AN EMPIRICAL ANALYSIS

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ABSTRACT

Banking environment has become highly competitive today. The Banking sector is undergoing the process of radical transformation due to excessive competition of foreign and private players and changes in tastes, preference and habits as well as expectations of customers for newer products. The traditional view of business which was the right product must be available in the right place at the right time is replaced now by a more dynamic and flexible concept that any product should be available at anytime and anywhere. Over the years, the Banking Sector in India has seen a number of changes. With the emergence of Privatization, Globalization and Liberalisation in India, banks are focusing on Research and Development and applying various innovative ideas and technology such as ECS, RTGS, NEFT, EFT, ATM, Retail Banking, Debit and Credit cards, mobile application and many more. Therefore, there is a close relationship between the development of banking sector and the new innovations in technology and Electronic data processing. The Indian Banking has finally worked up to the competitive dynamics of new Indian market and its relevant issues concerning the various challenges of Globalization. Hence the banks that employ IT solutions are perceived to be futuristic and proactive players capable of meeting the multifarious requirements of large and multi-level customer base. Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth. Also, the advancements in technology have brought the mobile and internet banking services to the fore. The banking sector in India is laying greater emphasis on providing improved services to their clients and also upgrading their technology infrastructure, in order to enhance the customer's overall experience as well as give banks a competitive edge.

KEYWORDS: *Banking and Finance, Recent Trend in banking, Banking and Global Perspective*

INTRODUCTION

Banking environment has become highly competitive today. The Banking sector is undergoing the process of radical transformation due to excessive competition of foreign and private players and changes in tastes, preference and habits as well as expectations of customers for newer products. The traditional view of business which was the right product must be available in the right place at the right time is replaced now by a more dynamic and flexible concept that any product should be available at anytime and anywhere. To be able to survive and grow in the changing market environment globally, banks are going for the latest technologies, which is being perceived as an enabling resource that can help in developing more flexible structure that can respond quickly to the dynamics of a fast changing global market scenario. It is also viewed as an instrument of cost reduction and effective communication with people and institutions associated with the banking business. Over the years, the Banking Sector in India has seen a number of changes. Most of

the banks have begun to take an innovative approach towards banking with the objective of creating more values for customers and consequently the banks. E-Banking enables the people to carry out most of their banking transactions using a safe website which is operated by respective banks. With the emergence of Privatisation, Globalisation and Liberalization in India, banks are focusing on Research and Development and applying various innovative ideas and technology such as ECS, RTGS, NEFT, EFT, ATM, Retail Banking, Debit and Credit cards, mobile application and many more. Therefore, there is a close relationship between the development of banking sector and the new innovations in technology and Electronic data processing. The Indian Banking has finally worked up to the competitive dynamics of new Indian market and its relevant issues concerning the various challenges of Globalisation. Hence the banks that employ IT solutions are perceived to be futuristic and proactive players capable of meeting the multifarious requirements of large and Multi level customer base.

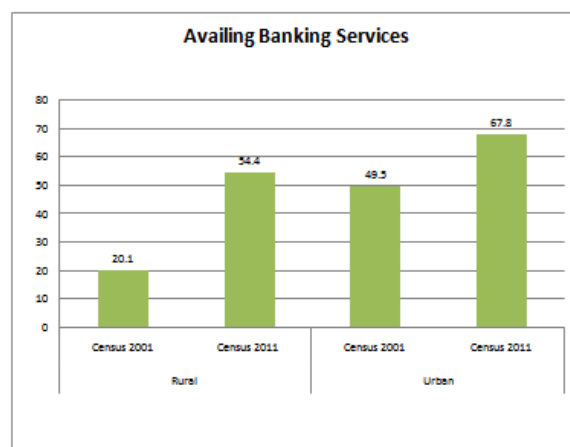


Figure 1: Percentage People Availing Banking Services

Source: Department of Financial Services, GOI

FINANCIAL INSTITUTIONS IN INDIA

The financial institution in India is divided into two categories. The first type refers to the regulatory institutions and the second type refers to the intermediaries. The regulators are assigned with the job of governing all the divisions of the Indian financial system. These regulatory institutions are responsible for maintaining the transparency and the national interest in the operations of the institutions under their supervision.

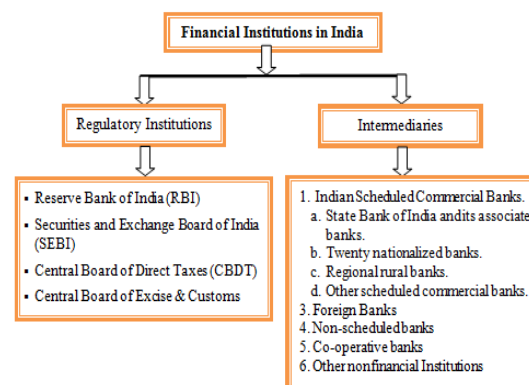


Figure 2

BANKING AND INTERNATIONAL BANKING SERVICES

The Uruguay Round of trade negotiations has paved the way for the deregulation of financial services in many developing and developed countries and has led to a significant increase in the volume of international financial services activities and also that provided opportunities for many financial institutions to expand their business activities globally. It is noteworthy that further negotiations on trade in financial services continued, after the completion of the Uruguay Round, with a new Agreement reached under the General Agreement on Trade in Services (GATS) in December 1997. The Agreement covers many facets of the financial service sector including insurance, securities companies as well as the banking sector. All these commitments and deregulations are leading to a greater increase in the international financial services products and the emergence of more consolidated financial institutions at the global level as well as India.

India has a diversified financial sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The sector comprises commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. The banking regulator has allowed new entities such as payments banks to be created recently thereby adding to the types of entities operating in the sector. However, the financial sector in India is predominantly a banking sector with commercial banks accounting for more than 64 per cent of the total assets held by the financial system.

The Government of India has introduced several reforms to liberalise, regulate and enhance this industry. The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). With a combined push by both government and private sector, India is undoubtedly one of the world's most vibrant capital markets. In 2017, a new portal named 'UdyamiMitra' has been launched by the Small Industries Development Bank of India (SIDBI) with the aim of improving credit availability to Micro, Small and Medium Enterprises' (MSMEs) in the country. India has scored a perfect 10 in protecting shareholders' rights on the back of reforms implemented by Securities and Exchange Board of India (SEBI).

As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalized and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well. Indian banking industry has recently witnessed the roll out of innovative banking models like payments and small finance banks. RBI's new measures may go a long way in helping the restructuring of the domestic banking industry. The digital payments system in India has evolved the most among 25 countries with India's Immediate Payment Service (IMPS) being the only system at level 5 in the Faster Payments Innovation Index (FPII). As a result, Global payments solution giant Master card has launched its first technology lab in Pune, which will enable India to move towards digital economy and financial inclusion and four metro cities of Delhi, Mumbai, Bangalore and Chennai can reap benefits of US\$ 7.2 billion annually by increasing payments through digital means. As a result India is today one of the most vibrant global economies, on the back of robust in banking sectors.

CONCLUSIONS

To this end, Mr. Bill Gates, Co-founder of Microsoft Corp, has stated that India will move quite rapidly to a digital payments economy in as little as seven years, based on the introduction of digital payment banks combined with

other things like direct benefit transfers, universal payments interface and Aadhaar. Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth. All these factors suggest that India's banking sector is also poised for robust growth as the rapidly growing business would turn to banks for their credit needs. Also, the advancements in technology have brought the mobile and internet banking services to the fore. The banking sector in India is laying greater emphasis on providing improved services to their clients and also upgrading their technology infrastructure, in order to enhance the customer's overall experience as well as give banks a competitive edge. Thus, many banks were launched contact-less credit and debit cards in the market and the cards, which used near field communication (NFC) mechanism that allowed customers to transact without having to insert or swipe.

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