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A Study on Recent Trends of Banking Sector in India

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ABSTRACT

In financial sector the banking industry is the largest player, has also been undergoing a major change. Today the banking industry is stronger and capable of withstanding the pressures of competition. Today, we are having a well-developed banking system with different classes of banks – public sector banks, foreign banks, private sector banks – both old and new generation, regional rural banks and co-operative banks with the Reserve Bank of India as the main head of the system. Since 1969, tremendous changes have taken place in the banking industry. The banks have shed their traditional functions and have been innovating, improving and coming out with new types of the services to cater to the emerging needs of their customers. The welfare activities of the country mainly done through banking system in India. With the advent of electronic banking, electronic funds transfer, rtgs, net transfers and other similar products, funds transfer within time frames which would have appeared impossible a few years ago has made it reality. With networking and internet connection new challenges are arising related to security privacy and confidentiality to transactions.In 1991, the Government opened the doors for foreign banks to start their operations in India and provide their wide range of facilities, thereby providing a strong competition to the domestic banks, and helping the customers in availing the best of the services. The present era the cashless transactions, E-cheques, mobile wallets. The paper attempts to present the emerging trends and its challenges that recently emerged in the banking sector with special emphasis on digitization. It will be useful to the academicians, banking and insurance personnel, students and researchers. Common readers also know the latest innovations in banking sector.

Key Terms: Financial sector, banking industry, new generation, Electronic funds transfer,Welfare activities, security privacy.

I. INTRODUCTION

Banking sector is the section of economy concerned to holding of financial assets for others, investing financial assets as authority to create more wealth and the regulation of those activities by government agencies. In India banking sector is always been one of the most preferredentrance to employment. In presently banking sector is a resident sector in Indian economy. Banking sector has the potential to account for over 7.7 of Gross Domestic Product (GDP) over 7,500 billion in market cap, and to provide over 1.5 million jobs.

Now a day's banks have diversified their activities and are giving into new products and services that include opportunities in credit cards, consumer finance, wealth management, life insurance,general insurance, investment banking, mutual funds, pensions, fund regulations, stock broking services, custodian services, private equity,etc.In India banking sector consists of 26 public sector banks,20 private banks & 43 foreign banks along with 61 regional rural banks (RRB's) and more than 90,000 credit cooperatives. In currently Indian banking industry worth is rs.81 trillion. Nowday's banks are working using of technology like internet, & mobile devices to carry out truncations and to communicate with customers directly.

II. OBJECTIVES

- Explaining the types of banking sector.
- Role of banking sector in development of economy.
- Recent trends in banking sector.

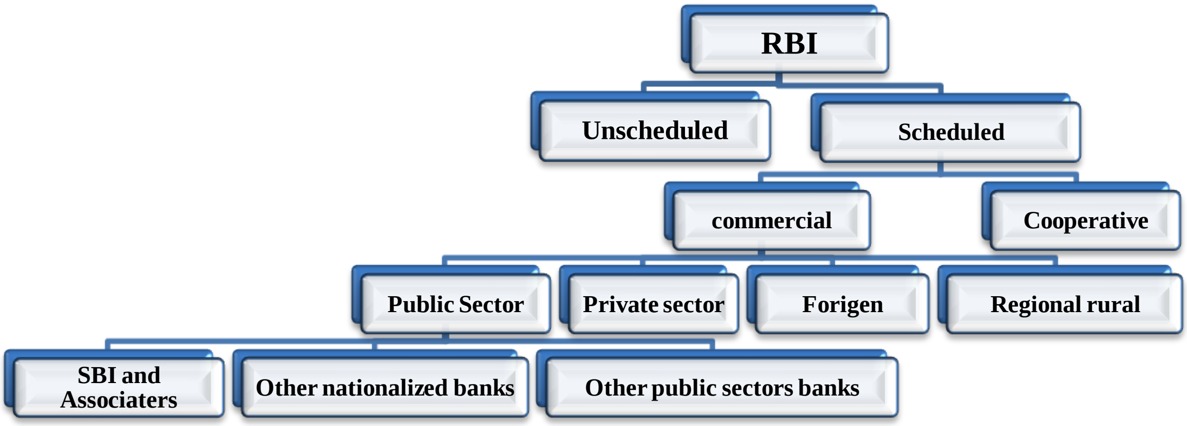
III. METHODOLOGY

The paper is conceptual in nature. Data collection was achieved by online websites &the date is filtered to improve the quality of paper. The interpretations are made by the authors with the help of guide.

IV. TYPES OF BANKING SECTORS

In banking sector banks are classified into 7 types. In these each banks has their own specialisation and can play different actions which are useful to everyday of our life for monetary transactions .Those can be explained as follows.

V. RESERVE BANK OF INDIA (RBI)



The country had no central bank prior to the establishment of the RBI. The RBI is the supreme monetary and banking authority in the country and controls the banking system in India. It is called the Reserve Bank' as it keeps the reserves of all commercial banks.

VI. SCHEDULED & NON –SCHEDULED BANKS

A scheduled bank is a bank that is listed under the second schedule of the RBI Act, 1934. In order to be included under this schedule of the RBI Act, banks have to fulfil certain conditions such as having a paid up capital and reserves of at least 0.5 million and satisfying the Reserve Bank that its affairs are not being conducted in a manner prejudicial to the interests of its depositors. Scheduled banks are further classified into commercial and cooperative banks. Non-scheduled banks are those which are not included in the second schedule of the RBI Act, 1934. At present these are only three such banks in the country.

VII. COMMERCIAL BANKS

Commercial banks may be defined as, any banking organization that deals with the deposits and loans of business organizations. Commercial banks issue bank checks and drafts, as well as accept money on term deposits. Commercial banks also act as moneylenders, by way of instalment loans and overdrafts. Commercial banks also allow for a variety of deposit accounts, such as checking, savings, and time deposit. These institutions are run to make a profit and owned by a group of individuals.

VIII. SCHEDULED COMMERCIAL BANKS (SCBS)

Scheduled commercial banks (SCBs) account for a major proportion of the business of the scheduled banks. SCBs in India are categorized into the five groups based on their ownership and/or their nature of operations. State Bank of India and its six associates (excluding State Bank of Saurashtra, which has been merged with the SBI with effect from August 13, 2008) are recognised as a separate category of SCBs, because of the distinct statutes (SBI Act, 1955 and SBI Subsidiary Banks Act, 1959) that govern them.

Types of Scheduled Commercial Banks
Public Sector Banks5

These are banks where majority stake is held by the Government of India. Examples of public sector banks are: SBI, Bank of India, Canara Bank, etc.

Private Sector Banks

These are banks majority of share capital of the bank is held by private individuals. These banks are registered as companies with limited liability. Examples of private sector banks are: ICICI Bank, Axis bank, HDFC, etc.

Foreign Banks

These banks are registered and have their headquarters in a foreign country but operate their branches in our country. Examples of foreign banks in India are: HSBC, Citibank, Standard Chartered Bank, etc

Regional Rural Banks

Regional Rural Banks were established under the provisions of an Ordinance promulgated on the 26th September 1975 and the RRB Act, 1976 with an objective to ensure sufficient institutional credit for agriculture and other rural sectors. The issued capital of a RRB is shared by the owners in the proportion of 50%, 15% and 35% respectively.

Type of Commercial Banks	Major Shareholders	Major Players
Public Sector Banks	Government of India	SBI, PNB, Canara Bank, Bank of Baroda, Bank of India, etc
Private Sector Banks	Private Individuals	ICICI Bank, HDFC Bank, Axis Bank, Kotak Mahindra Bank, Yes Bank etc.
Foreign Banks	Foreign Entity	Standard Chartered Bank, Citi Bank, HSBC, Deutsche Bank, BNP Paribas, etc.
Regional Rural Banks	Central Govt, Concerned State Govt and Sponsor Bank in the ratio of 50 : 15 : 35	Andhra Pradesh GrameenaVikas Bank, UttranchalGramin Bank, Prathama Bank, etc.

IX. COOPERATIVE BANKS

A co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. Co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest. Co-operative banks generally provide their members with a wide range of banking and financial services (loans, deposits, banking accounts, etc).

- ❖ Cooperative banks are the primary financiers of agricultural activities, some small-scale industries and self-employed workers.
- ❖ Co-operative banks function on the basis of "no-profit no-loss".

The co-operative banking structure in India is divided into following main 5 categories:

- ❖ Primary urban co-operative banks
- ❖ Primary agriculture credit societies
- ❖ District central co-operative banks
- ❖ State co-operative banks
- ❖ Land development banks

X. ROLE OF BANKING SECTOR

Banks play a very important role in modern economic system. Now a day's growth of nation can be done through banking system. The following are the some of roles played by banks.

- Banks motivate people to make savings.
- Banks mobilizes savings for the purpose of investment
- For the formation of capital banks play a coordination function between savings and investment.
- For the enlargement of production purpose banks provide credit facilities.
- Banks provides financial infrastructure and funds for backward region which made balanced regional development in the country.
- Banks plays a crucial role for expanding size of market.

- Through banks government fulfil every objective of planned economic development.

XI. RECENT TRENDS IN BANKING SECTOR

1. Electronic-cheques

Electronic cheques works same as paper cheques but payment transaction can be done through digital format.XML document provide mechanism to authenticate parties to make transactions. In e-cheques signatures are accompanied by bank –issued certificates which tie with signer's key to bank account. Nowdaysit is very commonly using by everyone .many of transferring amount transaction can be done through electronic cheques. E-cheques make easy transfer of payments to customers which are easily available to make payment for online purchases. It reduces chance to cheque bouncing banks always give awareness about their account details when any transaction can be done.

2. Real time gross settlement

Real time gross settlement is a fund transfer system. Settlement in "real time" means the transactions happen almost immediately "grosssettlement "means transaction is settled one to one basis unlike national electronic fund transfer (NEFT). Where the transaction happen in bulk at a given point in time during the day. This is mainly used for transaction which high in value and need to be cleared immediately. In this the bank that receives money has to credit the amount in the account with in 30 min after receiving it. Services of RTG's window for transaction are available to banks from 9.00 am to 4.30 p.m in a week and 9.00 am to 4.00 pm in Saturday's for settlement at from RBI's end.

3. Electronic fund transfer

It is a system of transforming money from one bank account direct to another without any paper money charging hands. Direct deposits are one of the most widely used EFT program. It refers transfer of funds initiated through on electronicterminal, including credit cards, ATM, and point of sale transactions. It used for both credit transfer and debit transfer. Electronic fund transfer transactions are processed through the automated clearing house network. The growing popularity of EFT for online bill payment in paying the way for paperless universe where checks,stamps, envelops, and paper bills are obsolete. Through EFT administrative costs should be reduced, increase efficiency, simplified bookkeeping and greater security.

4. De-mat account

India adopted the de-mat system for electronic storing. According to depositary act 1996 to maintain shares and securities electronically and eliminating the troubles associated with as per shares. De-mat system was introduced .to invest shares and securities every investor should have registration. Instead of investor taking physical passion of certificates a de-mat account is opened. De-mat account can be provided by through stockbrokers. It can be held electronically. For the purpose of purchase and transfer of shares and their process for sales. To access de-mat account it requires two types of passwords.

1. Internet password
2. Transaction password

5. Point of sale (POS)

Making a payment in exchange of for goods and for retail transaction point of sale is useful. The transaction usually can be done by using debit and credit cards. Since 1990 POS transaction had become very common and it is using overall the world. To complete pose transaction cards usually authenticated with a pin number. The information transmitted via the pin number travel through ATM network until it reaches the bank it is used to register products by a bar scanner and to read the descriptions and price on the tag of every time. All the activities can be done automatically like finding the total balance deducts any discounts and applies the sales tax and sending customer information to marketing database and transactions record to an investors system. Once payment has been credited to the account the post terminal check of validity of cards and connects to bank.

6. Bio- metric authentication

For the purpose of security the bio-metric authentication places a major role. Now a day's many organisations are implementing bio-metric authentication. It works comparing two sets of data.

- ❖ Owner of the device
- ❖ Visitor of device

Both are one and same gives access to person. There are different types of scanners

- ❖ Finger print scanner
- ❖ Eye scanner
- ❖ Speaker reorganisation

7. Financial technology firms

Financial technology is the new technology and innovation that aims to compete with traditional financial methods in the delivery of financial services. The main aim of fin-tech is to provide technology and finance to start-ups and to enhance the usage of financial services for existing financial companies. For the automation of insurance, trading and risk management. Fin-tech is used for firms. Banks are collaborating with fine-tech firms to build an environment that mixtures innovation of customers. Finetech firms have entered in the industries with innovation of products and services and targeting the most profitable segments. Viewing to their innovative commitment and caper offerings. Fine-tech firms have started acquiring customers from traditional banks due to lack and favourable environments for innovation are finding it hard to complete with them. The main key purpose of fin-tech to provide lack of leadership support, regulatory budges, cultural and infrastructure limitations are hampering in house innovation bank.

CONCLUSION

An up gradation of technology banks are playing vital role in economic development. Banking sector in India is resulting with increased growth in customers. By providing innovative facilities of banks. The changes made by banks are mostly focused on financial inclusion for expansion into rural areas and bringing stability by boosting credit growth making banking services near to the customer directly and reducing customer valuable time.

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