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**A STUDY ON INNOVATION IN BANKING SECTOR IN INDIA**

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**ABSTRACT**

*The Indian banking system has seen lot of change after the demonetization. Government begun to focus on digital India which changed payment habits of the people. The changes become possible with the help of new innovations in banking system like Unified Payment Interface (UPI), adoption of cloud technology, net banking, E-banking, RTGS, NEFT mobile banking, ATM, banking through banking Apps/Payment Apps like PAYTM, BHIM, PHONE PAY etc. This paper throws light on the new and existing innovation in the banking sector in the India.*

**Keywords:** Indian Banking Sector, Technological innovation, Product and Service

**INTRODUCTION**

Indian banking has a long journey. It has witnessed a number of changes. Since the 1990s, India begun to place greater emphasis on technology and innovation. At present banking sector is well-regulated and sufficiently capitalized. There are 19 nationalized banks, 1 other public sector, 21 private banks, 3 local banks, 9 small finance banks, 4 payment banks, 43 foreign banks, 31 state co-operative banks, 56 Regional Rural Banks (RRB). All the banks started working with the different channels, such as ATM, Debit Cards, Credit Cards, Internet Banking, Mobile Banking, RTGS, NEFT etc. At present the role of banking is redefined from a mere financial intermediary to service provider of various services related to finance under one roof acting like a financial supermarket. The stiff competition among the banks has changed the concept of the entire banking system. So, the banks are looking for new ways not only to attract but also to keep the customers and attain the competitive advantage over their rivals. The future of the Indian bank looks not only exciting but also transformative in service. The banking sector of India could become the 5<sup>th</sup> largest banking sector in the world by 2020 and 3<sup>ed</sup> largest banking sector by 2025. This paper examines the new technological changes and all the existing innovations in the banking sector.

**OBJECTIVE**

The objective of the study is to highlight the innovation in the banking sector at the national level.

**INNOVATION IN BANKING SECTOR IN INDIA**

The banking sector has seen lot of changes in the past few years. Almost every bank has begun to take an innovative approach towards it, with the aim to create more value to customers. With the help of information technology (IT) new innovation in the product design and their delivery in the banking and finance industries become possible. New technology gives a chance for banks to build new systems that can address a wide range of customer needs, which was not possible yesterday. Banking

philosophy has been totally changed by the technology associated with financial innovation and it turned into more stiff competition. Competitive environment create more innovation in the banking the field of product, process and market. Now days, we have electronic payment system along with the currency notes. Banking and financial sectors are moving towards a scenario, where it can have new instruments along with liquidity and safety

Following are the major innovation bought in the banking field

**Debit Card**

Debit card is a plastic card which can be used as an alternative way of making payment when purchases. It allow for instant withdrawal of cash, and acting as an ATM card for withdrawing cash. Funds are withdrawn directly either the bank account or from the remaining balance on the card.

**Credit card**

It is similar like Debit Card but it is little bit different. Credit card entitling its holder to buy goods and services based on the holder's promise to pay for these services and goods. In which, the issuer of the card grants a line of credit to the user from which the user can borrow money for payment to a seller (merchant) or cash advance to the user.

**Automated Teller Machine (ATM)**

It is widely used electronic channel in banking. It can be operated by plastic card with its special features. It is a computer controlled device at which the user can make withdrawals, check balance without involving any person. It can be interior like located in the branch premises or exterior which is located anywhere outside the premises of branch. The banks increased their focus further with the total number of ATMs reaching 2,08,111 in August 2017. However, there was a decline in growth of ATMs of both Public Sector Banks as well as Private Banks.

**E-banking**

It is a major innovation in Banking. E-Banking means provision of banking products and services by banks directly to customers through electronic delivery channels. User can do the transitions using electronic media.

**Internet banking**

It is a service rendered by banks so that users can find out information about their bank account, transaction, pay bills, etc., with the help of Internet. It allows users to conduct bank transactions online, instead of finding a bank and interacting with a teller. In wider sense, it is the use of electronic means to transfer funds directly from one account to another, rather than by cash or cheque.

**Electronic clearance service (ECS)**

ECS is a retail payment system that can be used to make bulk receipts/payments of a similar nature especially where each individual payment is of a repetitive nature and of relatively smaller amount. It is prepared to facilitate companies and government departments to make/receive large volumes of payments rather than for funds transfers by individuals.

**Real Time Gross Settlement (RTGS)**

It can be defined as the continuous (real-time) settlement of funds transfers individually on an order by order basis. REAL TIME means the processing of instructions at the time they are received rather than at some later time; gross settlement means the settlement of funds transfer instructions occurs individually. Considering that the funds settlement takes place in the books of the Reserve Bank of India, the payments are final and irrevocable.

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### **National Electronic Fund Transfer (NEFT)**

Is an electronic funds transfer system maintained by the Reserve Bank of India (RBI). It was started in November 2005, National Electronic Fund Transfer is a facility enabling bank customers in India to transfer funds between any two National Electronic Fund Transfer enabled bank accounts on a one-to-one basis. It's done via electronic messages. Unlike Real-time gross settlement, fund transfers through the NEFT system do not occur in real-time basis. It settles the fund transfers in half-hourly batches with 23 settlements occurring between timings 8:00 AM and 6:30 PM on week days and the 1st, 3rd and 5th Saturday of the calendar month. Transfers requested outside this time period are settled at the next available window. No settlements are made on the 2<sup>nd</sup> and 4<sup>th</sup> Saturday of the month, or on Sundays, or on public holidays.

### **Cheque Truncation System (CTS)**

It is essentially means that instead of sending the cheque in physical form by the collecting bank to the paying bank, an electronic image of the cheque is transmitted to the drawee branch for payment through the clearing house, thereby it can eliminate the cumbersome physical presentation of the cheque to the paying bank, which results in saving in time and costs involved in traditional clearing system.

### **DEMAT Account**

It is the abbreviation for Dematerialized Account, is a type of banking account which dematerializes paper-based physical stock shares. It is used to avoid holding physical shares.

### **Smart watch**

Now banking transactions can be done on smart-watch be it an Apple Watch, Android Wear or Samsung Gear. It's not only global financial institutions and banks like, Barclays, Scotiabank, Deutsche Bank, Nationwide, Stanchart and Citigroup that have developed apps for smart-watches that run on all major mobile operating systems. But some Indian private sector banks like AXIS, HDFC, ICICI banks have introduced smart watches apps.

### **Mobile banking**

It is an extension of internet banking. With recent developments in handset designs and mobile software, it caught focus of majority of the banks to adopt Mobile banking. The bank is in association with the telecom service providers offers this service. For this service, cellular phone should either be SMS or WAP enabled. These facilities are also available to those customers with only credit card accounts with the bank.

### **Kiosks**

It is a small, free-standing physical structure that displays information or provides a service to user. It can be unmanned or manned, and unmanned kiosks can be non-digital or digital. Information Kiosks can now also provide services such as passbook printing, providing loan quotes, standing order maintenance, document scanning and statement printing.

### **Core banking**

It is software used to support a bank's most common transactions. Elements of core banking includes Opening new accounts, Making and servicing loans, Processing cash deposits and withdrawals, Processing payments and cheques, customer relationship management (CRM) activities, calculating interest, managing customer accounts, establishing criteria for minimum balances, interest rates, number of withdrawals allowed and so on, establishing interest rates, Maintaining records for all the bank's transactions.

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## Corporate Banking

It is also known as business banking, refers to the aspect of banking that deals with corporate customers.

### Service includes

Over draft, domestic & international payment, funding, channel financing, letters of guarantee, working capital facility, international trade.

## Digital Wallet

It refers to an electronic device that allows an individual to make electronic transactions. It can include purchasing items on-line with a computer or using a smartphone to purchase something at a store. An individual's bank account can also be linked to the digital wallet.

## Product and Services of Innovative Banking

### 1. Bank Automation

1. Speed Up
2. Friendly and Flexibility
3. Towards Less transactions

### 2. Banking Branches

1. Cash Withdrawal
2. Cash Deposit
3. Account Statement
4. Cheques
5. Fund transfer
6. Balance Enquiry
7. Purchase of Demand
8. Draft Pay Order
9. Mobile banking-Balance Enquiry, Fund Transfer
10. Repayment of Loan Account
11. Demat Services – Provide online trading facility
12. Microfinance- Income Producing Activities, Build Assets, Stabilize Consumption
13. Plastic Money-it is alternative to cash and convenient to carry

## CONCLUSION

The Indian banking sector is growing very well its customer base also increased dramatically. The growth of the Indian banking sector become possible due to various reasons like political support for the banking sector development, new innovations, new value added services offer by the banks. The demonetization step of the government enforced the people to use the banking system as well as digital banking services. Nowadays, the new technology is sure that the future of banking will introduce more offers and services to the customers with the bust banking product and innovations. Banking sector has also increased the accessibility of a common person to bank for their productivity and requirements. The Indian banking sector has improved the new Technology. The innovative banking technology changing reforms have changed the face of Indian banking. The banking system has improved the manifolds in terms of product and services, banking system, technology, trading facility etc. it is the

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evident that the banking system has grown in India to compare with other country. Further, the bank comprehends their customer and bank will be meeting their requirements. The Indian Banking Sector provides better services with other developed banks.

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