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RECENT TRENDS IN BANKING INDUSTRY

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ABSTRACT

The emergence of e-banking, which is essential for providing clients with superior services, is a recent development in the banking industry. Mobile banking, e-wallets, and internet banking are a few of the newer options that have taken the place of more conventional means of transacting business. Due to bank reforms and measures, the Indian economic environment has undergone significant change in recent years. The banking industry is the most prominent participant to have noticed the most significant shift in the financial sector. Therefore, the banking industry is robust enough to withstand competition and pressure of any kind. As a result, these banking trends have become increasingly apparent over the past few years. Presently, India's banking sector is fairly stable, with various types of banks contributing to it. As a result, these include public and private sector banks, foreign banks, and others. All of these banks are headed by the Reserve Bank of India. The economic climate in India is undergoing revolutionary reform measures. The banking industry, which is the largest part of the financial sector, has also been going through a transformation. While internationally accepted prudential norms have been adopted, the Indian banking industry is gradually moving toward adopting the best practices in accounting, corporate governance, and risk management. Currently, the banking industry is stronger and able to withstand the pressures of competition.

KEYWORDS: *Banking Innovation, Technology, Internet, Services Indian Banking Sector, Emerging Trends & Progress and Emerging Economies, , Banking industry, Growth, Economic development, , Government.*

INTRODUCTION

India's banking industry has a long history that includes everything from nationalization of banks to privatization of banks to multinational banks in India today. As a result, banking in India has endured a lengthy journey. With the passage of time, the banking industry in India has also reached new heights. The way banks work has changed dramatically as a result of technology. However, the banking industry has introduced a novel risk exposure as a result of the shifting dynamics. The majority of banks perform admirably, earning the trust of customers and other stakeholders. However, not all banks are able to live up to these expectations. Organizations should strive to improve their long-term financial performance and generate wealth for stakeholders in order to expand and win their trust. The economic climate in India is undergoing revolutionary reform measures. The banking industry, which is the largest part of the financial sector, has also been going through a transformation. The banking sector of today is more robust and able to withstand competition. The Indian banking industry is gradually moving toward adopting the best practices in accounting, corporate governance, and risk management, despite the fact that internationally accepted prudential norms have been adopted, along with greater disclosure and transparency. The rigidity of directed lending is gradually being reduced while interest rates have been deregulated.

The Reserve Bank of India serves as the system's fountainhead, and there are a variety of classes of banks, including public sector banks, foreign banks, private sector banks, both old and new, regional rural banks, and co-operative banks. In the field of banking, there has been a growth that has never been seen before, and the banking industry has grown in a way that is unlike anything else in banking history.

While the rigors of directed lending are being gradually reduced, interest rates have been deregulated. In 1991, the government made it possible for foreign banks to set up shop in India and offer a wide range of services. This gave the domestic banks a lot of competition and helped customers get the best services. The Reserve Bank will further sharpen the prudential standards and strengthen its supervisory mechanism in its effort to move toward the best international banking practices. The banking industry of today has launched numerous initiatives aimed at improving customer service through the use of new technologies. The banking sector has received assistance from IT to overcome the difficulties posed by the new economy. The banking sector now has access to new markets, products, services, and efficient delivery channels thanks to technology.

The banking sector has undergone significant change in the 41 years since 1969. In order to meet the ever-evolving requirements of their customers, the banks have abandoned their traditional responsibilities and instead have been inventing, enhancing, and developing new types of services. massive branch expansion in rural and underdeveloped areas, mobilization of savings, and diversification of credit facilities to neglected areas such as the agricultural sector, small-scale industrial sector, and preferred areas such as the export sector, among others have transformed the fundamental characteristics of class banking into those of mass banking, expanding and deepening the financial infrastructure. The business operations of major commercial banks have undergone significant innovation and diversification. Some of them have worked in consumer credit, credit cards, merchant banking, leasing, mutual funds, and other related fields. Merchant banking, leasing, and mutual fund subsidiaries have been established by a few banks, and many more are in the process of doing so. Factoring has recently become a business for some banks.

OBJECTIVES OF STUDY:

- To Discuss The Most Recent Developments In The Shifting Banking Environment.
- To Investigate The Opportunities Banks Have In The Shifting Banking Environment.
- To Comprehend The Nature And Development Of The Indian Banking Industry.
- To Determine How Technology Affects How Effectively Indian Banks Run Their Businesses.
- To Evaluate The Reform Measures That Affect Indian Banks' Profitability, Efficiency, And Overall Performance.
- To Comprehend The Major Trends That Are Anticipated To Have An Impact On The Indian Banking Sector;
- To Investigate The Most Recent Developments In The Indian Financial System.

INDIAN BANKING SECTOR

From the perspective of the stock market, the banking sector in India is one of the oldest and most popular. In terms of market capitalization, it is also one of the largest on the Indian stock market. The banking industry is one example of a sector where there is no in-between because investors either like it or don't. There are a lot of investors whose portfolios contain a lot of banking and finance stocks, but there are also a lot of big investors whose portfolios do not contain any banking stocks at all. In addition to cooperative credit institutions, the Indian banking system includes 27 public sector banks, 26 private sector banks, 46 foreign banks, 56 regional rural banks, 1,574 urban cooperative banks, and 93,913 rural cooperative banks. Over 70% of the banking system's assets are in the hands of public-sector banks, while their private counterparts have a smaller share. The banking industry in India is well-regulated and has sufficient capital, according to the Reserve Bank of India (RBI). The country's economic and financial conditions are far superior to those of any other nation. According to studies on credit, market, and liquidity risk, Indian banks are generally resilient and have fared well during the global recession. Innovative banking models like payments and small finance banks have recently entered the Indian banking industry. The domestic banking industry's restructuring may be greatly aided by the new RBI measures.

EMERGING TRENDS:

Banks and other financial institutions have faced a significant obstacle in developing an organizational architecture that generates intellectual capital. Even more so now that we are in the midst of the most rapid acceleration of what is referred to as "creative destruction" in the financial sector's history. New structures emerge through creative destruction. Here, managers of the "new generation" may play a more demanding role than managers of the past. A role that requires more than just "probity and prudence," as the banker of old did, and increasingly focuses on managing "competing imperatives." While historians can slice the past into countless slices, post-independence banking in India has only seen a few pivotal points in terms of transformational change. The first was the Banking Regulation Act of 1949, which established a comprehensive and formal framework for bank supervision and regulation in India. The second such turning point was our nation's decision to nationalize banks. It produced forces that brought banking to the masses from the elite class. It was a crucial trigger for financial outreach of institutions and the empowerment of the common man because it led to the establishment of a very substantial infrastructure across the entire subcontinent. The financial sector reforms initiative, which was launched in the early 1990s, was the third banking inflexion point. In India, these reforms signaled a significant shift in the way banks operated. The need to reposition themselves in light of the realities of the environment as well as their internal strengths and weaknesses was sparked by the altered environment, internal compulsions brought on by increased competition, and the desire to increase their market share and profitability. To meet the demands of customer relationships, product differentiation, brand values, reputation, corporate governance, and regulatory requirements, a new, more dynamic, aggressive, and challenging work culture is necessary. The key for new managers to designing strategies for their organizations is comprehending and dealing with difficult transitions. We attempt to follow the emerging realities of banking in India in a somewhat loosely structured manner, broadly following Edward E. Furash's analysis of transition trends. An understanding of these trends might make it easier to map the skills that managers of the next generation might need to turn these challenges of the changing environment into opportunities.

MOBILE BANKING

Mobile banking services have to be one of the first mentioned in the new seamless banking experience. Customers can access their accounts, check the balance, make payments, and invest in mutual funds thanks to mobile banking. According to a survey conducted by YouGov, 61% of Generation X, Millennials, and Generation Z would prefer to switch to a fully digital bank in order to take advantage of features that encourage banking at any time, anywhere. Going to a bank branch, signing documents, taking print copies, and signing them all seem redundant in today's world. Banks must digitalize their processes and improve the user experience if they want to remain competitive. Overall, customers can anticipate a banking experience that is simpler, more convenient, and safer in terms of data privacy. For instance, IDFC FIRST Bank's user-friendly mobile banking app provides a simple, customer-centered banking experience by personalizing interactions and elevating the customer experience, particularly on mobile banking platforms, through user enhancements. Banks are being encouraged to ensure that they continue to be one step ahead of their competitors in providing precisely that to their customers through various technologies as the digital transformation of the banking industry is paving the way for a streamlined user experience.

PERSPECTIVES ON INDIAN BANKING

Scheduled commercial banks (SCBs) experienced a slowdown in the growth of their balance sheets from 2009 to 2010 along with some dips in asset quality and profitability. On a year-over-year basis, bank credit increased by 16.6% in 2009-10, but it began to show signs of recovery in October 2009, when the economic recovery began. For SCBs as a whole, the ratio of gross nonperforming assets (NPAs) to gross advances increased from 2.25 percent in 2008-09 to 2.39 percent in 2009-10. Indian banks survived the shock and remained stable and sound in the post-crisis period, despite some of the knock-on effects of the global financial crisis. In terms of growth, profitability, and loan delinquency ratios, Indian banks now outperform those in the region. Banks generally have a track record of value creation, growth, and innovation. However, given their low penetration in comparison to other markets, this process of banking development must be advanced to meet the larger need of financial inclusion through the expansion of banking services.

Banks were able to boost asset quality and profitability in 2010 and 2011. The banking sector remained fairly resilient to fluctuations in interest rates and liquidity, as demonstrated by the stress test. However, concerns about the stability of the banking sector began to emerge due to the persistent asset-liability mismatches, higher provisioning requirements, and reliance on short-term borrowings to fund asset growth, as well as the disproportionate growth in credit to real estate, infrastructure, NBFCs, and the retail segment.

GLOBAL BANKING DEVELOPMENTS

The global banking system faced difficulties in 2010 and 2011 due to issues with the global financial system and emerging fiscal and economic growth scenarios across nations. Although global banks' capital adequacy improved, they were plagued by low credit growth, high leverage, and poor asset quality. In contrast, given the rising inflationary pressures and capital inflows in major emerging economies, credit growth remained relatively high. This was viewed as cause for concern. In advanced economies, the availability of credit remained particularly limited for small and medium-sized businesses, and the utilization of banking services was also low, indicating that the population was financially excluded after the crisis. Systemically important financial institution reforms and initiatives to enhance the macro-prudential regulatory framework were positive steps toward effective systemic risk management by both advanced and emerging economies, both on their own and in multilateral settings.

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RECENT TRENDS IN BANKING

1) Electronic Payment Services – E Cheques

We now hear about e-government, e-mail, e-commerce, e-tail, and other related topics. Similar to this, a new technology is being developed in the United States for the introduction of the e-cheque, which will eventually replace paper checks. The Negotiable Instruments Act has already been amended in India to include; as a prelude to the e-cheque's introduction. E-cheques and cheques with truncations.

2) Real Time Gross Settlement (RTGS)

The Real Time Gross Settlement system, which has been in place in India since March 2004, allows banks to electronically instruct each other to transfer funds from one account to another. The RBI is in charge of maintaining and operating the RTGS system, which enables banks to transfer funds between themselves more quickly and effectively, easing the burden on their financial operations. Real-time funds transfer takes place between banks, as the name suggests. Accordingly, cash can arrive at the recipient quickly and the recipient's bank has the obligation to credit the recipient's record in two hours or less.

3) Electronic Funds Transfer (EFT)

Electronic Funds Transfer, or EFT for short, is a method by which any individual or business can send money to another. can go to his bank and pay in cash or give instructions or permission to transfer funds directly from his own account to the recipient's or beneficiary's bank account. Complete information, including the recipient's name, account number, type (savings or current), bank name, city, and branch name, among other things. should be provided to the bank when such transfers are requested to ensure that the funds reach the beneficiaries' accounts accurately and quickly. The EFT service is provided by RBI..

4) Electronic Clearing Service (ECS)

Electronic Clearing Service is a retail payment system that can be used to make a lot of receipts or payments that are similar to each other in bulk, especially if each payment is smaller and less frequent. This office is not for individual reserve moves; rather, it is for organizations and government divisions to make and receive large amounts of installments.

5) Automatic Teller Machine (ATM)

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6) Point of Sale Terminal

A point of sale terminal is a computer terminal that is connected online to a bank's computerized customer information files and a plastic transaction card with a magnetically encoded code that tells the computer who the customer is. The computer debits the customer's account and credits the retailer's account with the amount of the purchase during a transaction.

7) Tele Banking

The customer can complete all non-cash-related banking over the phone with Tele Banking. The Automatic Voice Recorder is used for straightforward inquiries and transactions with this device. Phone terminals that are manned are used for complex queries and transactions.

8) Electronic Data Interchange (EDI)

The electronic exchange of business documents like purchase orders, invoices, shipping notices, receiving instructions, and so on is known as electronic data interchange. between trading partners in a standard, computer-generated, universally accepted format. Payments and financial data can also be sent electronically using EDI.

Internet Banking

A customer can conduct banking transactions online through the bank's website with internet banking. It is a method of using a computer to access accounts and general information about bank products and services from one's office or home[25]. This method is also known as virtual banking. The bank is basically brought to your computer. If you want to withdraw cash, deposit a check, request a statement of accounts, etc., you have to go to the branch in person in traditional banking. However, internet banking has changed how banking is done. Through the bank's website, anyone can now conduct any of these types of transactions from his or her computer. All of these transactions are secured; making use of sophisticated security architecture with multiple layers, including filters and firewalls. Your transactions are safe and private, so you can rest easy.

Indian Banking Sector and most popular. In terms of market capitalization, it is also one of the largest on the Indian stock market. The banking industry is one example of a sector where there is no in-between because investors either like it or don't. There are a lot of investors whose portfolios contain a lot of banking and finance stocks, but there are also a lot of big investors whose portfolios do not contain any banking stocks at all. In addition to cooperative credit institutions, the Indian banking system includes 27 public sector banks, 26 private sector banks, 46 foreign banks, 56 regional rural banks, 1,574 urban cooperative banks, and 93,913 rural cooperative banks. Over 70% of the banking system's assets are in the hands of public-sector banks, while their private counterparts have a smaller share. The banking industry in India is well-regulated and has sufficient capital, according to the Reserve Bank of India (RBI). The country's economic and financial conditions are far superior to those of any other nation. According to studies on credit, market, and liquidity risk, Indian banks are generally resilient and have fared well during the global recession. Innovative banking models like payments and small finance banks have recently entered the Indian banking industry. The domestic banking industry's restructuring may be greatly aided by the new RBI measures.

CHALLENGES FACED BY BANKS

How banks can deal with competition and improve their balance sheets are today's most pressing issues. Today, banks are struggling under the weight of NPAs. If these contaminated debts are not paid back, it is widely believed that they will sap the banks' very existence. The high transaction costs associated with keeping Non-Performing Assets in their books are another major source of concern for the banking industry. An effective credit information sharing system, a suitable legal framework for the banking system, and an appropriate legal framework for the banking system are all necessary for the resolution of the NPA problem. This will enable court procedures to be streamlined and actual recoveries to be made within an acceptable time frame. "Lend, but lent for a purpose and with a purpose ought to be the slogan for salvation" is the banking industry's only option given its high NPA levels.

Due to the fact that their very existence would be in jeopardy if they did not perform, the Indian banks are under tremendous pressure. The banking industry relies heavily on information technology (IT) because it will not only make it possible for complex financial product innovation and product development, but it will also ensure that interrelated transactions flow smoothly over the electric medium. With the banking system moving toward virtual banking, the application of IT and e-banking is becoming the norm.

One extreme example of e-banking is World Wide Banking (WWB), which follows the pattern of the World Wide Web (WWW). This indicates that there would be no individual bank identity for customers because all banks would be interconnected. A lot of physical bank branches and extension counters are unnecessary. There are no physical interactions or transactions required. Customers would be able to conduct all of their banking transactions online from the comfort of their offices or homes. Banking would be able to reach customers in this way.

The banking landscape is rapidly evolving. The market will see a lot of new players with different muscle powers enter. The Reserve Bank will further sharpen the prudential standards and strengthen its supervisory mechanism in its effort to move toward the best international banking practices. Disclosures and transparency will increase. Banks are expected to be very helpful in the development of the economy in the coming days, and the emerging market will offer numerous business opportunities that can be taken advantage of. It is anticipated that HRM will be of greater significance. Human capital will emerge as the banking system's most valuable asset as knowledge-based banking expands in India. In the end, banking is about people, not just numbers.

The banking industry in India has made rapid progress in reforming and adapting to the new, highly competitive business environment. The Indian banking sector is undergoing an IT revolution. With the gradual development of sophisticated instruments and innovations in market practices, technological infrastructure has become an essential component of the banking system reform process.

IT IN BANKING

The Indian banking industry is currently undergoing an IT revolution. Total banking automation is becoming increasingly important in the Indian banking industry due to a combination of regulatory and competitive factors. In essence, information technology has been utilized in two distinct ways in banking. The first is Business Process Reengineering, and the second is Communication and Connectivity. Financial intermediaries are able to reach geographically dispersed and diverse markets thanks to information technology, which also makes it possible for sophisticated product development, improved market infrastructure, and the implementation of dependable risk management strategies.

Productivity will rise and the bank that uses the right technology to provide timely information will gain a competitive advantage. Indian banks must keep up with the latest technology and adapt it to their context in order to compete in an economy that is opening up. In an environment that is becoming increasingly dynamic and globalized, banks need to use technology more effectively not only to provide existing services and businesses that are customer-friendly, effective, and competitive, but also to provide newer products and services. Banks can build new systems that meet a wide range of customer requirements, some of which may not be possible today, thanks to information technology.

- It is becoming increasingly important for banks to evaluate and determine the advantages of implementing technology. When the returns can be measured in absolute terms, the fruits of technology will undoubtedly taste much better, but precautions and safety nets are necessary.
- For banks eager to join the IT revolution, things have not been easy. The obstinacy once displayed by trade unions, who believed that IT could become a threat to securing employment, is one obstacle in the way. In addition, the expansion of banks into remote regions of the country, where logistics remain a challenge, proved to be another obstacle. The inability of banks to keep skilled and trained employees, particularly those with a strong understanding of information technology, on staff is yet another obstacle that they have had to overcome.
- Banks' increasing reliance on technology has also raised "security" concerns. Banks ought to have a well-documented security policy that includes network security and internal security to avoid any mishaps or pitfalls on this account. The banking industry has benefited greatly from the passage of the Information Technology Act, and banks should now make it a priority to strictly adhere to its provisions. E-commerce should also be included in the country's consumer laws.
- While some people are making investments in it in order to propel the expansion of the business, others are forced to do so in order to maintain operations. The most significant challenges and issues in the use of IT in banking operations include selecting the appropriate channel, justifying IT investment based on ROI, e-governance, customer relationship management, security concerns, technological obsolescence, mergers and acquisitions, IT penetration in rural areas, and outsourcing IT operations. However, the main obstacle remains getting customers to use IT more often when doing business with banks. In addition to their capital requirements, the pressing need for small banks is a significant investment requirement. Even more money will be put into banking technology in the coming years, but getting a return on investment will require more strategic thinking.
- The banks may need to reorient their resources in the form of reorganized branch networks, fewer employees, a significant reduction in the cost of establishment, enhancing staff members' skills, and novel strategies for attracting a talented managerial pool. The existing standards for governing and

directing these banks' operations would be strengthened by the Indian government and the Reserve Bank of India (RBI). The audit function of banks must be strengthened. They would be judged based on how well they did in the market. In light of this, we have asked the heads of Indian banks to address the issues mentioned earlier.

OPPORTUNITIES:

Banking online: Based on data warehousing and data mining technologies, it is evident that online finance will expand and that product offerings such as banking services, share trading, insurance, and loans will increasingly converge. Banks may launch distinct internet banking services in addition to traditional banking services whenever banking becomes commonplace and needs to expand. Lending to Retail: - Banks have recently implemented customer segmentation, which has improved product portfolio customization. As a result, retail lending has emerged as a focus area, particularly for the financing of consumer goods, housing, automobiles, and other products. Retail lending has also contributed to the dispersion of risks and improved bank earnings through higher recovery rates. Customers in rural areas: A vast untapped market for the banking industry in India accounts for 70% of the population. Banking services have entered all urban areas, but only a few large villages have banks. Because the majority of Indians still live in rural areas, banks must reach all remaining villages.

Providing a Variety of Channels: To grow their business, banks can offer a variety of ways to access their banking and other services, such as ATMs, local branches, telephone and mobile banking, and video banking, among other options. Good services for customers: When it comes to expanding their business, the best brand ambassadors for a bank are satisfied customers. Every interaction with a customer is an opportunity to earn their trust. Customer service has emerged as the foundation upon which banks' performance can be evaluated in the face of growing competition. Indian clients: Customers in India present the Indian banking industry with the greatest opportunity at this time. With the best possible combination of equity and debt to finance consumption and asset creation, Indian customers now want to achieve their lifestyle goals earlier in life. He represents rural areas in addition to cities and towns. The banks should seize the opportunity to provide solutions to this market because consumer goods companies are already utilizing this potential. Other possibilities: In the future, there are numerous additional opportunities in the Indian banking sector, such as expanding into new markets and businesses, developing novel methods of operation, increasing productivity, and providing superior customer service.

Due to the country's distinct economic, social, and geographic characteristics, the Indian banking system differs from other global counterparts.

CONCLUSION:

As a result, the industry is undergoing a paradigm shift from a seller's market to a buyer's market, which ultimately led bankers to shift their approach from "conventional banking to convenience banking" to "mass banking to class banking." The shift has also made it easier for the average person to get a bank that can meet all of their needs. The Indian banking industry will be able to keep up with other developed banking systems if it adopts more stringent prudential norms, higher capital standards, improved risk management systems, internationally accepted accounting practices, and increased disclosures and transparency.

Despite the support of a robust financial system, it will be difficult to project that the Indian banking system will remain unaffected in the long run as well, despite the fact that it has managed to remain relatively unaffected by global economic conditions up until this point. The sluggish pace of economic recovery in the United States and Europe is a major source of concern for the rest of the world, including India. In addition, the Indian government's increased borrowing may drain funds from the private credit market. In a situation where borrowing costs are high and government support is limited due to tighter economic conditions, banks will need to be very effective in their operations in order to provide. At the same time, the Indian banking system will grow in size and complexity while combining various financial sector segments and serving as an important growth engine. It follows from this that not only do ongoing returns unleash internal dynamics, but also global financial sector trends determine the future of Indian banking. During the return period, the Indian banking industry has demonstrated significant resilience. The returns from the second generation will be very important in making the system stronger. With the help of information technology, banking has been redefined and reengineered today. In the future, banking will undoubtedly provide customers with more sophisticated services thanks to ongoing product and process innovations.

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