



Tactful Management



RECENT TRENDS IN BANKING SYSTEM IN INDIA : VARIOUS SERVICES, CHALLENGES AND OPPORTUNITIES

Dr. S. Kavitha¹ and Mr. G. Gunasekaran²

¹Research Guide & Supervisor , J.J.College of Arts & Science, J.J.Nagar, Sivapuram, Pudukkottai .

²Ph.D., Research Scholar , J.J.College of Arts & Science, J.J.Nagar, Sivapuram, Pudukkottai .

ABSTRACT

In modern trend, the banking system is known as innovative banking system. With the help of information technology, the Indian banking system has got the innovation in making new designed product like electronic banking and electronic fund transfer to offer



quick service to the customers' need and their satisfaction. This innovative banking system also creates challenges regarding security and confident maintenance under the electronic system. But still the Indian banking system is ready to offer various opportunities for the customers. This study is

offering enough information to the readers about the services, challenges and opportunities of Indian banking sectors.

KEYWORDS :Recent Trends, Various Services, Challenges, Opportunities.

INTRODUCTION:

The Indian banking system once up on a time had a limited opportunities and services. It accepted deposits and offered loans very limitedly due to more manual work in all kind of records. For passing a cheque or bill, it had taken long period for the clearance. But with the With the help of information technology, the Indian banking system has got the innovation in making new designed product like electronic banking and electronic fund transfer to offer quick service to the customers' need and their satisfaction. This innovative banking system has come up to this position with the lots of struggles and initiatives to offer best customer services and customer satisfaction. The banking sectors and the customers are like a mirror through which any one can understand whether the economy of a nation has developed or in underdeveloped position. But the Indian banking system has proved a lot that the Indian economy is right place.

OBJECTIVE OF THE STUDY

- ✦ To study the trends in Indian banking system
- ✦ To study the services offered by Indian banking sector
- ✦ To study the challenges faced by the Indian banking sector
- ✦ To study the opportunities in recent trends in Indian banking system

METHODOLOGY

This study is based on the analysis of the services, challenges and opportunities with the help of the secondary data. The secondary data is taken from the banks reports, research reports like journals & thesis and internet sources.

REVIEW OF RELATED LITERATURE

Prof. Manoj B. Makawana, Indian Banking Industry has shown considerable resilience during the return period. The second generation returns will play a crucial role in further strengthening the system. Indian banking system will further grow in size and complexity while acting as an important agent of economic growth and intermingling different segments of the financial sector. It is sure that the future of banking will offer more sophisticated services to the customers with the continuous product and process innovations. Adoption of stringent prudential norms and higher capital standards, better risk management systems, adoption of internationally accepted accounting practices and increased disclosures and transparency will ensure the Indian Banking industry keeps pace with other developed banking systems. Finally the banking sector will need to master a new business model by building management and customer services. Banks should contribute intensive efforts to render better services to their customer. Nationalized and commercial banks should follow the Recent trends and to get advantage of opportunities in changing banking scenario.

Binija George (2015), Indian banks are trust worthy brands in Indian market, therefore these banks must utilise their brand equity as it is a valuable asset for them. The paper discusses the various challenges and opportunities like transparency, growth in banking sector, global banking, managing technology etc. Banks are striving to combat the competition. The competition from global banks and technological innovation has compelled the banks to rethink their policies and strategies. Finally the banking sector will need to master a new business model by building management and customer services. Banks should contribute intensive efforts to render better services to their customer. Nationalized and commercial banks should overcome the challenges and to get advantage of opportunities in changing banking scenario.

RECENT TRENDS

It is very important mile stone in the Indian economy that the financial institutions especially the banking sectors are playing the major role to support the economical status of our country. The service of the banking industry is needed for other service sectors. Since the service sectors like banking industries are contributing 50% of the financial support to the Indian GDP, India is able to manage with the 120 Crore population by providing their needs. It is popularly known that the banking sectors are playing major role in India towards offering services. At the same time we have to speed up the economic development with the major role of banking sectors. If we see the recent trends in banking sectors, we can find that there are plenty of opportunities offered by them. Before 2010-2011 financial year, there were lot of ups and downs in the banking sectors due to poor world economical conditions and lack of technological growth. To overcome this issues, Government of India and the

Reserve Bank of India made new rules and regulations and attracted more customers also by implementing zero balance account and introducing new technology like Mobile Banking, Home Banking and Online Banking. According to the liberalization concepts, more branches of banks have spread over the country in all the nook and corners and started doing not only banking services but also non-banking activities like marketing services, insurance services etc.

SERVICES OFFERED BANKING SECTORS

According to the modern trend, the banks are offering different kind of services to attract and retain the customers. Some of those services are discussed below;

1. ADVANCING OF LOANS

Banks are the financial institutions and profit oriented business organizations. So they pay loan to public and generate interest from them which is known as profit. Banks can have their own cash as reserves for the cash circulation. The excess amount of cash can be used to provide short-term, medium-term and long-term loans to needy borrowers.

2. OVERDRAFT

The banks can provide overdraft facilities to its customers who are the current account holders. The current account holders are facilitated to withdraw more than their deposits. Interest will be charged from the account holders on the overdrawn amount.

3. DISCOUNTING OF BILLS OF EXCHANGE

Through this method, a holder of a bill of exchange can get it discounted by the bank, in a bill of exchange, the debtor accepts the bill drawn upon him by the creditor and agrees to pay the amount mentioned on maturity. After making some marginal deductions, the bank pays the value of the bill to the holder. When the bill of exchange matures, the bank gets its payment from the party, which had accepted the bill.

4. CHEQUE PAYMENT

Banks generally provides cheque pads to the account holders with the basic conditions of maintaining minimum balance. Account holders can get cash by drawing a cheque either on his own or to someone. After formal verification and official procedures they banks pay for cheques of customers.

5. COLLECTION AND PAYMENT OF CREDIT INSTRUMENTS

In modern business, different types of credit instruments such as bill of exchange, promissory notes, cheques etc. are used. Banks deal with such instruments. Modern banks collect and pay different types of credit instruments as the representative of the customers.

6. FOREIGN CURRENCY EXCHANGE

The business of the Indians is having more collaboration with foreign countries. Banks deal with foreign currencies. As the requirement of customers, banks exchange foreign currencies with local currencies. It is very essential to settle down the dues in the international trade.

7. CONSULTANCY

Modern commercial banks are large organizations. They can expand their function to

consultancy business. In this function, banks hire financial, legal and market experts who provide advices to customers in regarding investment, industry, trade, income, tax etc.

8. BANK GUARANTEE

Customers are provided the facility of bank guarantee by modern commercial banks. When customers have to deposit certain fund in governmental offices or courts for specific purpose, bank can present itself as the guarantee for the customer, instead of depositing fund by customers.

9. REMITTANCE OF FUNDS

Banks help their customers in transferring funds from one place to another through Electronic Clearing System.

10. CREDIT CARDS

Credit card is a card that allows their account holders to make purchases of goods and services with no cash. The credit card providers or the bankers are immediately paying for the goods or service, and the card holders pay back the amount with some amount of interest.

11. ATM SERVICES

ATM is a Automated Teller Machine which replaces human bank tellers in performing basic banking functions such as deposits, withdrawals, account inquires. Key advantages of ATMs include 24 hour availability, Elimination of labour cost, Convenience of location etc.

12. DEBIT CARDS

Debit card is also known as ATM card by using this card, an account holder directly with draw the necessary funds from their accounts. This Debit Cards require a Personal Identification Number (PIN) to be used to verify the transaction.

13. HOME BANKING

Any kind of financial transactions completed from the the home itself if called home banking. It includes actions such as making account inquiries, transferring money, paying bills, applying for loans and directing deposits.

14. ONLINE BANKING

Online banking is a service offered by banks that allows account holders to access their account data via the internet. Online banking is also known as "Internet banking" or "Web banking." Online banking through traditional banks enable customers to perform all routine transactions, such as account transfers, balance inquiries, bill payments, and stop-payment requests, and some even offer online loan and credit card applications. Account information can be accessed anytime, day or night, and can be done from anywhere.

15. MOBILE BANKING

Mobile banking is also known as M-Banking. It is a term used for performing balance checks, account transactions, payments, credit applications and other banking transactions through a mobile device such as a mobile phone or Personal Digital Assistant (PDA),

16. ACCEPTING DEPOSIT

Accepting deposit from savers or account holders is the primary function of bank. Banks accept deposit from those who can save money, but cannot utilize in profitable sectors. People prefer to deposit their savings in a bank because by doing so, they earn interest.

17. PRIORITY BANKING

Priority banking can include a number of various services, but some of the popular ones include free checking, online bill pay, financial consultation and information.

CHALLENGES OF BANKING SECTORS

1. CUSTOMER SATISFACTION

Customers are the more valuable assets to the banking sectors especially the middle class and below middle class customers who are in more numbers having account the Indian banking sectors. All the bankers should care about the satisfaction of the every individual customer though they are poor or rich.

2. PROVIDING PERSONAL SERVICES

Banking sectors are in the position of doing services not only to the Corporate sectors or the Financial institutions but also to the customers who come with more expectation with future dreams. So they have to expand their services with enough amount of financial possibilities and better customer services.

3. COMPETITION

There is a competition in the banking sectors like a business area. Here the competitions between the nationalised banks and the private banks. Due to the competitions, the banking sectors should face the challenges like keeping good position for their products and banks, bringing innovative ideas, introducing more technology and retain the existing customers and adding new customers. To face these kind of competition, the banking sectors should appoint skilled and specialised man power and result & target oriented staff members.

4. GLOBAL BANKING

Globalization is another challenge to the Indian banking sectors. Globalization is one of the new economic reforms policies of Indian under which more foreign banks have entered into our country. These banks are operated with huge amount of funds, using latest technology, recruiting very young and energetic employees with sharp mind and manage with global market. Facing this global banking is the biggest challenges to the Indian banking sectors.

5. MANAGING LATEST TECHNOLOGY

Facing the latest technology is another challenges to our banking sectors. Automated Teller Machine, Cash Deposit Machine (only for cash deposit) and now Cash Deposit Machine with various facilities like cash with draw, fund transfer, balance enquiry and mini statement are the example for the continuous development of the technology in the banking sector. This latest technology is not available in all the banks and its branches. So, our banking sectors are facing this challenge and try to adopt very slowly.

6. LACK OF COMMON TECHNOLOGY

Though the Indian banking sectors have attained certain growth technologically, still they have to travel to fulfil. All the banks are still not using common technology in all their branches throughout the country. As the State Bank of India keeps on introducing new technology like Cash Deposit Machine and Cash Deposit Machine with multiple services like fund transfer, account verification and cash withdrawal like ATM, the other nationalized banks are still not updated their technology.

7. CHANGING NEED OF CUSTOMERS

The customers' need get changes from time to time and place to place according to the trends. They like to have everything on their hand in the form of mobile phone. But the mobile phone banking software not introduced by all the banks except some government and private banks and still they use counter system. Rural region customers are not able to utilize the latest technology because of lacking in awareness. It is another challenges of Indian banking sectors.

OPPORTUNITIES IN THE BANKING SECTORS

1. RURAL AREA CUSTOMERS

75% of the India is living in rural area and there is no doubt the Indian economy depends on villagers who contribute through agriculture. But the banking sectors fully concentrate only urban region due to several reason. If the Indian banking sectors have some concern on rural people and start their branches in the rural area it could be a better service.

2. GOOD CUSTOMER SERVICES

Customers who act as mediator between the people and banks are the assets of the banks. It is the responsibilities of the bankers to serve for the people on their all kind of needs. So there are more opportunities for the customers to get more service from their banks.

3. TIMELY TECHNOLOGICAL UP GRADATION

Already electronic transfers, clearings, settlements have reduced translation times. To face competition it is necessary for banks to absorb the technology and upgrade their services. There are more possibilities to offer their service with latest technologies which favour for the people and the customers.

4. GLOBAL BANKING

The impact of globalization becomes challenges for the domestic enterprises as they are bound to compete with global players. If we look at the Indian Banking Industry, then we find that there are nearly 40 foreign banks operated in India, which becomes a major challenge for Nationalized and private sector banks. At the same time this may become one of the reasons to develop our Indian economy and the life of the rural living people.

5. MORE CHANNELS

Banks are offering so many channels to access their banking and other services such as ATM, Local branches, Telephone/mobile banking, video banking etc to increase the banking business. Still may plan for providing better channel opportunities like home banking which already have started its functions.

6.RETAIL LENDING

Banks have already adopted customer segmentation which has helped in customizing their product folios well. Thus retail lending has become a focus area particularly in respect of financing of consumer durables, housing, automobiles etc., Retail lending has also helped in risks dispersal and in enhancing the earnings of banks with better recovery rates.

CONCLUSION

The Indian banking system has got the innovation in making new designed product like electronic banking and electronic fund transfer to offer quick service to the customers' need and their satisfaction. The banking sectors may do more innovation to the rural customer with easy understanding. They banking sectors may give assurance to the customers about the security and confident maintenance under the electronic system. The banking sector will need to master a new business model by building management and customer services. Banks should contribute intensive efforts to render better services to their customer, Nationalized and commercial banks should overcome the challenges and to get advantage of opportunities in changing banking scenario.

REFERENCE

- 1.Prof. Manoj B. Makawana, Emerging trends in Indian banking sector, Tactful Management Research Journal, ISSN NO: 23119-7943, P.No.144 – 147.
- 2.Binija George, Recent Trends in Banking Sector, Challenges and Opportunities, International Journal of Current Research, Vol. 7, Issue, 10, pp.21913-21915, October, 2015.
- 3.Mishra S.K., Puri V.K. Economic Environment of Businss, Himalaya Publishing House
- 4.National Housing Bank, www.nhb.org.in
- 5.Rajkumar S Adukia, An Overview of Banking Sector in India, www.caaa.in
- 6.Small Industries Development Bank of India, www.sidbi.com
- 7.www.rbi.org.in
- 8.www.wikepedia.com
- 9.www.moneyindia.com .
- 10.www.banknetindia.com/banking/boverview.htm
- 11.WWW.indiatoday.com



Mr. G. Gunasekaran

Ph.D., Research Scholar , J.J.College of Arts & Science, J.J.Nagar, Sivapuram, Pudukkottai .