



Innovative Trends In Indian Banking Financial Practices

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ABSTRACT:

This research paper aims to identify the currents trend of innovative banking practices in India and explores major factors responsible for internet banking and customer's perception on various internet applications provided by the bank. Banking activities can affect by the services quality, satisfaction level, trust, perceived behavior of the customer and usefulness of the services. In India almost 960.9 million people used internet till the end of May 2012, it seems that there is a bright future of the innovative banking services in India. India's telecommunication network is the third largest in the world on the basis of its customer and now a day, it is become the worlds most competitive and one of the fastest growing telecom markets. India has the world's second largest mobile phone user base with over 929.37 million users as of May 2012. The paper concludes by highlighting customers' needs.

KEYWORD:-

Innovative banking, EFT, CBS, Credit card, Banking technology

INTRODUCTION

The Internet is playing a major role for the world of business including the banking industry. Technology has become an important part of corporate sector. Banks have been using the Internet as one of their distribution channels because Internet Banking services benefit both the banks and their customers. It has become the most profitable distribution channel of the banks because it can help banks to save costs. It is convenient for the customers to execute their bank transactions or contact their banks faster, anytime and anywhere banking facilities.

In India, banks as well as other financial institution have entered the world of IT and computer networking. The Indian Financial Network (INFINET) 1, a wide area satellite based network using VSAT technology, was jointly set up by the Reserve Bank of India and Institute for Development and Research in Banking Technology (IDRBT) at Hyderabad to facilitate connectivity within the Indian financial sector.

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Innovative Banking

Innovative banking means the broader application of new methods and techniques, new scheme in the field of deposit mobilization, deployment of credit and bank management, for the example bank have introduced various types of schemes like retirement scheme, Akshaynidhi scheme, pension plan, money lending scheme such as education loans, car finance, home loans, household goods finance etc. Besides these, many banks have started Sunday bank branches, anytime anywhere banking module and mobile banking for the benefit of the customers².

Innovative banking is a higher order constructed which consists of several distribution channel, it should be noted that electronic banking is provide a bigger platform than just banking via internet.

PRE INNOVATIVE BANKING

The period after 1964 clearly described as the phase of 'Innovative banking'. It is time (1964-67) where there was an increasing concern about the problem of concentration of economic power in few hands. The main features of pre-innovative banking phase are Social control, Nationalization, Bank credit to priority sectors.

The Mahalanobis Committee (1964), the Committee on Distribution of Income and Levels of Living, The Monopolies Inquiry Commission (1965), The Managing Agency Inquiry Committee (1966), The Industrial planning and licensing policy (1967) and The Industrial Licensing policy inquiry Committee (1969) formed significant reports in the basis of changes in Indian Banking. These committees provided a strong platform for the revolutionary changes in the structure, operation, policies, practices and services of banking in India³.

TECHNOLOGY BASED INNOVATIVE BANKING SERVICES

Technology based innovative banking services helpful for bank for competition with other banks, herewith some technology based services are given below:-

ATM (AUTOMATIC TELLER MACHINE):-

"ATM" stands for Automated Teller Machine. This machine allows the account holder to have transactions with their own accounts without allowing them to access the entire bank's database. ATM machine was invented by John shepphardbaren on June 1967 at Barclays bank in Enfield, United Kingdom⁴.

Sr. No.	Bank Group	Number Of branch	Number of ATM		
			On site	Off site	Total
1	Nationalised Bank	39396	10233	5705	15938
2	State Bank Group	16062	7146	4193	11339
3	Old Private Bank	4679	1830	844	2674
4	New Private Bank	4204	5166	7480	12646
5	Foreign Bank	293	270	784	1054
	Total	64634	24645	19006	43651

(Source:- RBI Bulletin, November,2009⁵)



GRAPH:-1
Graph of Number of Branches and ATM of All Indian Bank

In India, Hong Kong and Shanghai banking corporation (HSBC) installed first ATM in 1987. Indian bank and Citi bank introduced ATMs at various stages.

CBS (CORE BANKING SOLUTION):-

Core banking is all about knowing customers' needs. Provide them with the right products at the right channels. 24 hours a day, 7 day a week using technology aspects like internet, mobile, ATM. Core banking function will include deposit accounts loans, mortgages and payments. Bank makes these services available across multiple channels like ATMs, internet banking and branches.

NET BANKING:-

Internet has made banking very fast and name its new and changed 'avatar' is 'online banking' or the 'Net banking'. Net banking provided banking service over the internet or electronic medium. In India, ICICI Bank, Global Trust Bank, HDFC Bank, IDBI Bank and some other banks have provided the facility of Net banking to their customers.

MOBILE BANKING:-

M-banking is that banking in which a person can check about or transact from his account from anywhere in world with the help of his mobile. The wireless customer based in India is given below:-

Table:-2		
The Wireless Subscriber base In India		
(30 April, 2012)		
Sr No.	Operator	Subscriber base
1	Bharati Airtel	183290119
2	Reliance Communication	153548424
3	Vodafone Essar	151284403
4	Idea Cellular	114209668
5	BSNL	81229732

(Source:- Various company's websites)

ICICI has also started another interesting banking service by the name of billjunction.com. It claims that it is the first bill presentation and payment service of the country. 929.37 million mobile user in May 2012.

TELE BANKING:-

The customer can access his account and by following the user friendly menu, entire banking can be done through “Interactive Voice Response” system. With sufficient numbers of hunting lines made available.

Most of mobile service provider and other financial institute provide these facilities through telephone.

CREDIT CARD:-

Credit cards was invented by American businessman Frank Menomara, he invited some of his friends for dinner in a hotel. Suddenly at the time of payment, he discovered that he forget to bring the purse. He phoned his wife to send the cash and decided to develop a fool proof system to avoid such position in future. This way credit card came into existence in 1950, in India 1966 'Dinar club' introduced credit card, in August 1980, credit card facility was provided by central bank by establishing relations with Master card.

The card holder gets the freedom from the risk of carry cash, every card also carries an insurance facility, it also carries the facility of getting tickets from the ticket window for the railways and it has also become status symbol

SMART CARD:-

The automated chip card was invented by German rocket scientist Helmut Gro'ttrap in 1968. A smart card usually contains an embedded 8 bit micro processor a kind of computer chip. The micro processor is under a contact pad on one side of the card. Think of the micro processor as replacing the usual magnetic stripe present on a credit card or debit card.

Smart card is much more popular in Europe than in the U.S in Europe. The health insurance and banking industries use smart cards extensively. Every German citizen has a smart card for health insurance. Electronic Fund Transfer (EFT)

In India the fund transfer are basically done through mail transfer, draft or telegraphic transfer. In case of telegraphic transfer again the department of telecommunication was the sole provider of telephone, telex and telegram facilities. The different forms of Electronic fund Transfer prevalent in the use are as under.

- 1.EFT through Electronic Data interchange
- 2.Bank net
- 3.RBINET
- 4.IDRBI VSAT Network
- 5.EFT from points of sales
- 6.Electronic cash
- 7.Swift global system for funds transfer
- 8.Electronic clearing settlement

At the end of the para it is also concluded that EDI (Electronic data interchange), EBP (Electronic bill payment), MICR clearing house, SWIFT, RTGS and E-cheque are also the form of Innovative banking services.

VARIOUS TYPES OF INNOVATIVE BANKING SERVICES

Important innovations in banking which have been introduced in recent times are as follows:-

Social banking: -

The commercial banks of India have adopted a new policy orientation to meet the socio-economic responsibility of the country. The important aspects of social orientation are open bank branches in the rural area, provide credit facilities to the small industries, banks should formulate area wise schemes and plans, bank help in critical situation in earth quake, SBI undertake village adoption scheme under financial development of the village. The union bank has adopted 101 villages across the country for the UAG endeavour. The officers of the VKCs in consultation with the Branch Manager and Regional Manager have identified a backward village near their command area and have prepared a credit cum development plan for the village for basic needs in Rural Infrastructure, Production, Investment and Consumption needs, besides Banking⁹

CREDIT CARD FACILITY

Commercial banks introduced the credit card facility in the early 1980s. A credit card is a convenient medium for purchase goods and consumes services without using money directly by hand.

DIVERSIFICATION

The commercial banks in India have diversified into many related areas, such as Merchant banking, Mutual funds, Venture capital and Equipment leasing¹⁰.

MERCHANT BANKING

Merchant banking was formally started, when Grind lays bank received the license from Reserve Bank of India in 1967¹¹. At the end of 1991 eight commercial banks have started merchant banking facilities. Merchant banking activities are regulated by SEBI, companies Act, securities contracts Act and listing guidelines of stock exchange. Merchant bank provided financial help in investment project; manage foreign currency bonds, equipment leasing, mergers and takeover, revaluation of assets.

MUTUAL FUNDS

UTI has a monopoly of mutual fund business in India. Mutual funds are either open-ended or closed-ended financial intermediaries which obtain the resources by selling units or shares¹².

HIRE PURCHASE CREDIT

Hire purchase means purchase of goods on the basis of installments. Hire purchase or installment credit refers to term loans provided for the purchased of consumer goods¹³.

FACTORING SERVICE

The first factoring service in India has been started by the SEBI, namely “the SEBI commercial and factoring service limited”. In India, the SBI and Canara bank are the only two banks which have set up separate subsidiaries for undertaking factoring services¹⁴.

OFFSHORE BANKING

Offshore banking is the cross border intermediation of funds and provision of services by banks residing in offshore financial centers (OFCs) to nonresidents. ¹⁵.

VENTURE CAPITAL

Venture capital is a financial intermediary, means that it takes the investors capital and invests it directly in portfolio companies. Venture capital only invests in private companies it means companies cannot be immediately traded on a public exchange¹⁶.

FUTURE OF INNOVATIVE CUSTOMER SERVICES

A number of measures have been taken to improve the quality of customer services offered by the banks to depositors and borrowers. Important factors among these are given:-

1. Bank Converted his all branch into CBS
2. Banks provided Electric Clearing services at Mumbai in 1995.
3. Banks should follow Basell norms, rules and regulation.
4. RBI also started Electric funds transfer in Mumbai and Chennai.
5. Indian banking community started regular SWIFT training courses.
6. Shared Payment Network System was started at Mumbai in 1997.
7. India's most of bank open branch in small rural area and facilitate banking services into rural area.

CONCLUSION:-

Thus, the end of the paper it is concluded that Innovative banking techniques help bank to competition with other bank. Technology change far so year, it is necessary for the all bank to upgrade his bank services with the showing changes in time era. Big or small bank are open branches in rural area and spread over the country. Recent time bank provide retail banking facilities. Banking services directly affected by various factors like service level, trust, usefulness, satisfaction and behavior of the employee. First, the quality of Web sites has a direct and an indirect impact on both satisfaction and trust level of the customer. Banks have to redesign their Web sites with a view to enhancing usability and usefulness. Bank privacy policy and agreement related information truly classified with the customers because of most of the customers feel fraud deficit so can't use e-banking facilities. Internet banking is convenient and flexible ways of banking and it also have various transaction related benefits. Thus, Providing Internet banking is increasingly becoming a "need to have" than a "nice to have" service.

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