

Changing Environment in Indian Banking Sector

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Abstract--- *There has been a dramatic transformation in Banking Industry in last few years. Digital banking, multi services, competing global forces at lesser cost and online transactions are now significant and ubiquitous features for the banking services. There is now a move to achieve excellence in multi-dimensional aspects of the industry. To achieve this banking sector now strives to create an advanced business model with strategic planning, and FinTech (finance technology) offers one such business model. FinTech offers necessary help to banking sector so as to enhance customer relations, quality of services (Qos) and customer satisfaction. This paper analyzes FinTech on various perspectives like its offering such as a set of computer programs or software that enhances financial services with the help of advanced robotics, artificial intelligence (AI), enhanced cyber security and customer intelligence. The paper evinces the role of FinTech as a significant provider for new entrants with its simplified operational solutions. The paper stresses the increase on FinTech implementation in terms of fine tuning the digital efforts in financial domain. The focus is on investments and automation through robotics on transactions and other functions like lending, clearance, settling cash and security related transactions.*

Keywords--- *Banking Sector, FinTech, Artificial Intelligence, Customer Intelligence.*

I. INTRODUCTION

Indian banking sector has travelled a long way and is yet in the process of providing innovative services to their customers. Indian banking industry has recently witnessed the roll out of innovative banking models like payments and small finance banks. RBI's new measures may go a long way in helping the restructuring of the domestic banking industry.

The digital payments system in India has evolved the most among 25 countries with India's Immediate Payment Service (IMPS) being the only system at level 5 in the Faster Payments Innovation Index (FPII).*

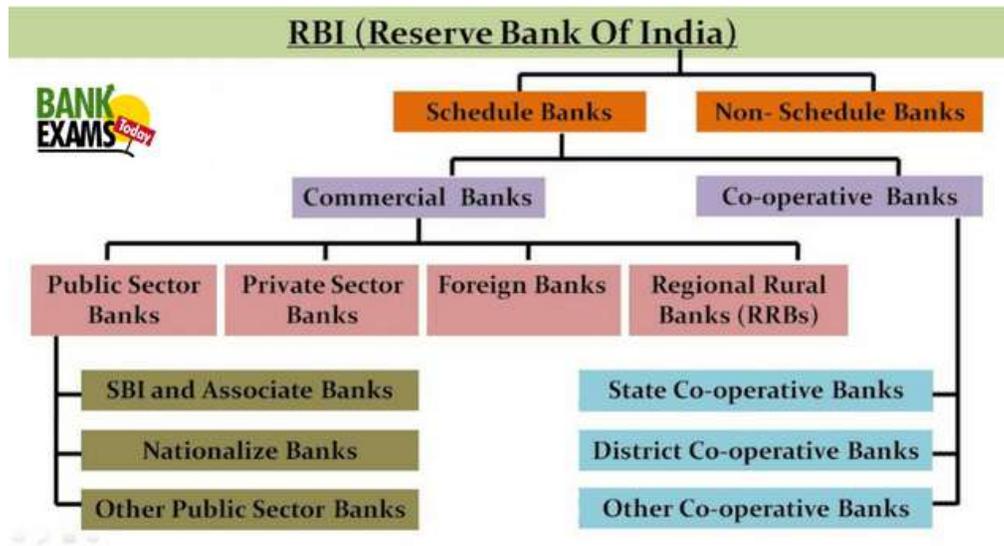
Brief about Indian Banking Sector

The Indian banking system consists of 20 public sector banks, 22 private sector banks, 44 foreign banks, 44 regional rural banks, 1,542 urban cooperative banks and 94,384 rural cooperative banks, in addition to cooperative credit institutions. As on March 31, 2019, the total number of ATMs in India increased to 2,21,703 and is further expected to increase to 407,000 by 2021. As of 2017, 80 per cent of the adult population has bank accounts. As on March 31, 2019 the number of debit and credit cards issued were 925 million and 47 million, respectively.

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INDIAN BANKING SYSTEM



1/2/2020

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➤ New services implemented in banking institutions Recent trends in Banking system

- Electronic Payment Services – E Cheques
- Real Time Gross Settlement (RTGS)
- Electronic Funds Transfer (EFT)
- Electronic Clearing Service (ECS)

It is needless to mention that consistent technological progression has changed the face of world business. In the current dynamic scenarios, it has become essential for every industry and organisation to adopt latest operational practices and implement newest working methods in order to sustain in the long run. In this concern, Banking Industry has seen a drastic technology led transformations in the past few years. Functions like digital banking, multi services, and competing global forces at lesser cost, online transactions and more have become significant features of every banking service, and in order to excel multi-dimensional aspects of the industry, banking sector will have to create an advanced business model and strategic planning.

FinTech (finance technology) is one such business model that will help the banking sector in improving customer relations, quality of services and customer satisfaction. It is basically a set of computer programs or software that will enhance the financial services with the help of advanced robotics, artificial intelligence (AI),

enhanced cyber security and customer intelligence. FinTech has played a significant role in opening the gates for new entrants with its simplified operational solutions.

Banking is a huge industry comprising of well-established financial institutions and banks, where it is quite challenging for a new entrant to sustain due to high capital requirement, strong compliance, ever-increasing regulations, and client base. However, in past few years several start-up firms have joined the network and providing financial services successfully by adopting FinTech as their business model (Tasca, Aste, Pelizzon, and Perony, 2016). It is found that by the end of 2020, FinTech will become an indispensable component of every financial business model around the globe.

Significance of FinTech

The paper has been developed with a purpose to ascertain the significance of FinTech in the overall banking industry and its services. It will analyse the impact of new business model on the existing core financial practices and institutions, which might have underrated good customer relations, satisfaction and needs. As it is observed that the existing financial institutions are more concern about their resources and revenue than customer management, it will be worth learning that how FinTech will change the dynamics of the entire banking sector, with technological advancement, improved strategies and customer intelligence.

Factors/issues

As a part of digital revolution and technological up gradation, new companies are trying their hand and competing successfully with the old players of the industry. It is seen that FinTech has proved to be a boon for start-up firms in the banking sector as it provides them a new strategic structure, which can challenge the traditional ways of operating. These firms are entering the industry with well-prepared strategy of customised services, target market, customer intelligence, database and attractive offers to draw customers' attention (Clozel, 2017). Keeping in mind the customers' needs and convenience of operations, digital wallets like Pay tm and more have been designed, offering customers a new experience. Due to these innovative measures, the traditional banks and financial institutions may face issues like cost cutting, reduced client base and more.

An empirical study on the said topic reveals that in the next five years, the banking industry will be governed by three vital trends. These are:

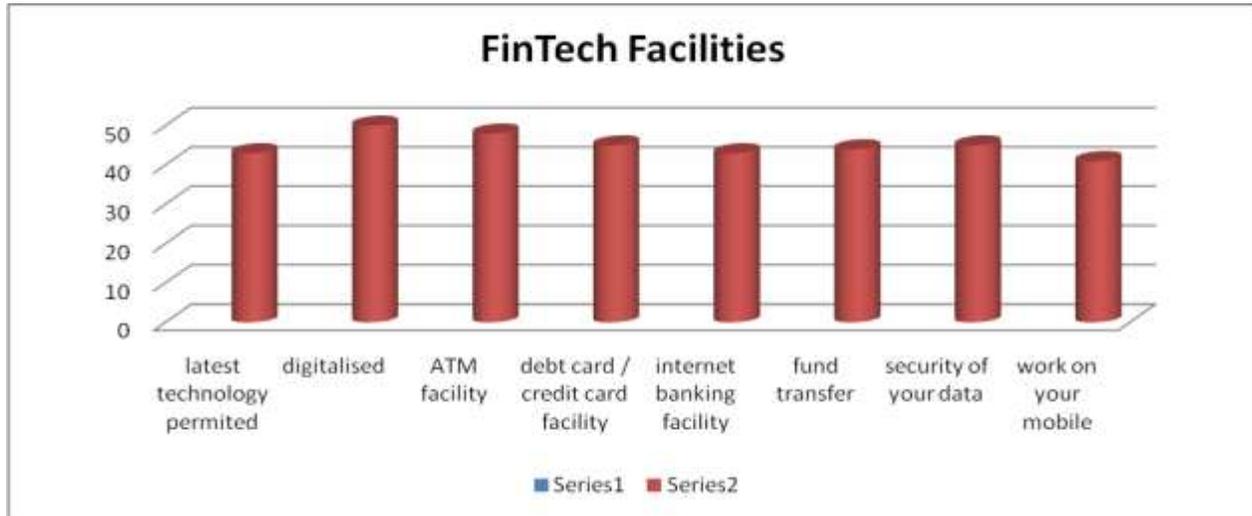
1. Customer Intelligence will be the most significant aspect for the success in the banking sector
2. Advancement in robotics and Artificial Intelligence will lead to re-shoring and localisation
3. Ensuring cyber security will be the top most priority of a Banking System

In the coming times, following factors have been established as key aspects for the operations in the banking sector, which will directly affect the current business scenarios of the said industry.

II. ANALYSIS

Data required for the study was a collected from PG students who have finance and Information technology as their elective. The trend and opinion expressed by the students in this paper is absolutely the representation of their thoughts and does not insist the results are completely acceptable.

Nearly 50 MBA students were asked to participate in this study after attending a seminar on Fintech technologies in Banking sector.



Inference: From the above chart it is clear that most of the facilities provided by Banks are providing happiness, security, saving time and energy for the customers. To rank them all the banks are digitalised, provide ATM facility, provide debit credit card facility and secure data of their customers.

Interpretation; Fintech is accepted by all the customers and they welcome the change in the Banking segment as this help them to save time and energy. With changing world of dual income families such technologies are boon in their life's. With the 21st century work style all the customers are in hurry and may not remember their payment therefore having such facilities to pay through mobile, transfer funds and help them to have a smooth life.

Out of 50 students IMPS services.

They had the opinion that they should be given proper training to understand and utilize these facilities as hands on experience. They were of the opinion in the future the transaction done by humans would be atomised and by the help of AI the life of humans may become easy. When asked what are the expectation of the future digitalisation of banks they were not having a clarity on their expectations as things which were once impossible have become possible and so any new system may come to overcome the existing gaps in the banking system.

Road Ahead

Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth. All these factors suggest that India's banking sector is also poised for robust growth as the rapidly growing business would turn to banks for their credit needs.

Also, the advancements in technology have brought the mobile and internet banking services to the fore. The banking sector is laying greater emphasis on providing improved services to their clients and also upgrading their technology infrastructure, in order to enhance the customer's overall experience as well as give banks a competitive edge.

India's digital lending stood at US\$ 75 billion in FY18 and is estimated to reach US\$ 1 trillion by FY2023 driven by the five-fold increase in the digital disbursements.

III. GENERAL CONCLUSION AND RECOMMENDATION

Based on aforementioned, discussions argument and analyses of the three concerns to ascertain the solution, one may state that AI should be effective in monitoring the legal systems and reducing overall costs of regulatory practice. AI lets the development of the automation for several tasks, which normally take nearly 50 per cent of the human resource effort. Reports suggest that AI needs new skill to be acquired by the team members in order to support this automation function. This can be achieved by the assistance of enterprise wide architecture integration. This means that banking firms can look ahead and look beyond their internal boundary so as to get help from external providers to take control of costs, quality & time.

Furthermore, it is determined that customer intelligence would be driving the banking systems in coming times and so they need to get ready for this change. Key to success is preparing for embracing sophisticated and advance apps, which are focussed on taking care of the customer requirements and attaining competitive advantage. Evidently, every related effort towards adaptation of the disruptive technology in financial domain will not serve its object till it is combined with efficacious digital security measures.

It is clear from aforementioned analyses and discussions that there would be increase in the digital efforts in financial domain. The focus would be clearly on investments in automation through the robotics, automation on transaction and other functions like lending, clearance, settling cash and security related transaction. With reference to this, key to success is to increase the collaborations amongst the teams to prepare for future trends. Financial companies or banks must find new start-ups or FinTech based companies in order to seek their expansion, instead of looking on them as threats. Banking personnel may take the reference of collaboration of Scotiabank's partnering with Santander & ING. One other such example is the collaboration in BMO, as it sponsors Next Big Idea in FinTech program for amplifying this speed of innovations (Tronnier, 2016). This data was published by The Statistics Portal, and suggests that new investments by banks in advance technologies would likely increase many times and come closer to an amount of \$19.9bn in 2017 within North America itself (KMPG, 2016). Hence, the banks must step up the investment so as to have better connections with their customer at all times.

QUESTIONNAIRE

(Use tick mark wherever applicable)

1. Age :--
2. Gender: _____
3. Do you have bank account: Yes /No
If yes: since how many years _____
4. Are you aware of latest technology in banking sector? Yes /No
5. Is your bank using digitalised services? Yes / No
6. Does your bank have ATM services? Yes / No

7. Does your bank provide Debt card and Credit card? Yes / No
8. Do you have Debt Card / Credit card? Yes / No
9. Did you ever use : NEFT ___ RTGS ___ IMPS___
10. Does your bank provide internet banking? Yes / No
11. Does your bank provide option of fund transfer? Yes / No
12. Does your bank maintain security of your data? Yes / No
13. Does your bank give an option to work on your mobile phone? Yes / No
14. Is your bank home page user friendly? Yes / No
15. Does your bank have option to remind your payment due dates? Yes / No
16. Are you happy with your banking services? Yes / No
17. Do you expect your bank to have any technology which is not yet in their service? Yes / No
If yes what services:_____
18. What is your opinion on the fintech services of your bank?

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