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**ROLE OF GOVERNMENT IN TRENDS AND
TECHNOLOGICAL INNOVATION INDIAN BANKING
INDUSTRY**

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Role of Government in Trends and Technological Innovation Indian Banking Industry

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Abstract – Indian banking industry touches the lives of millions of people and it is growing at a fast pace. Indian banking industry is facing no. of challenges like changing needs, perception of customers, new regulations from time to time, increased competition, and great advances in technology. The research papers focus on the new technology in banking industry which has transformed whole banking scenario and operations. various aspects like mobile banking, retail banking, online banking, electronic services of bank and many more ecommerce services provided by banks in order in order to increase in profitability and consumer satisfaction and the role of government in development of banking sector. The beauty of these banking innovations is that puts both banker and customer in a win situation.

The paper concluded that banking sector has been changing rapidly. As, globalisation is increasing and lots of increasing and lots of foreign technology is being adopted by Indian banking industry, so our customers need better education and awareness in order to avail these technologies and services. Government has given immense support to banking industry in various ways in order to strengthen this sector.

Keywords – Online Banking, Customer Satisfaction, Retail Banking, Mobile Banking

INTRODUCTION

Banking has been playing very important role in our country for economic development and providing financial support to various sectors. So, its importance cannot be denied. In today's era, banking is transformed immensely from preliberalisation period. These transformations can be in the form of improvised mechanism, technical innovations, foreign direct investment etc, since we are liberalised our banking industry is grown at tremendous pace.

In this paper, new trends which are being prevailing in current economic environment and the technologies which have changed the face of banking are being covered. Now, a day as time is treated as money. So in order to utilize the time in best possible manner, innovations like debit/credit cards, ATM, e. commerce, rts, eft, virtual wallets, internet banking, mobile banking, on line banking, etc are introduced to save time and labour.

The trends which are changing, is the result of foreign banks, investment banks, technological up gradations, in order to increase profitability and customer satisfaction. This paper is the brief presentation of new trends and technologies in banking.

REVIEW OF LITERATURE OF RESEARCH TOPIC

Dr Nishikant jha, & Shraddha bhome, "A STUDY OF GREEN BANKING TRENDS IN INDIA", International monthly referred journal of research in management & technology, may 2013. This paper tries to find out the ways to go green through "green banking" the necessary steps to adopt green banking. To check the awareness of green banking amongst bank employees, associates and general public. To create awareness about green banking among general public & consumers & banks employees. To reduce CO2 emission from electricity consumption and transportation, recycling (paper cartridges and batteries) increase the use of green product by bank branches. The research methodology used in study is based on both primary as well as secondary data through interviews of questionnaires. The paper found out green banking avoids paper works enables eco-friendly business practices encourage natural resource conservation, helps to think future sustainability of earth hence the concept of green banking will be mutually beneficial to banks industries and economy.

Prof Manoj B. Makawana, "Emerging trends in Indian banking sector" Tactful management research journal (Mumbai), 2010-11 The paper investigation the impact of liberalisation privatisation and globalisation on Indian banking industry . It explains the recent trends in changing banking scenario. This study is based on the analysis of the banking scenario in India and secondary data collected from various books, annual report of RBI etc. Emerging trends such as ATM telebanking, ECS, EFC, RTGS, are discussed by due writers. In the end , opportunities which needs to avail in coming future such as rural customers, retail lending good customers service are also highlighted in the study.

Dr ajay kumar dhanwani , "Recent trends in Indian banking industry National monthly journal of research in commerce & mgt". This paper is based on conceptual data. It examines the new trends in commercial banking. Its represents the banking has experienced a series of significant transformation in the last few decades .Productivity enhancement innovative products, speedy transactions seamless transfer of funds. Indian banking industry is the midst of on IT revolution. Innovation service like E-cheque, RTGS, EFT, ECG, ATM, POS, TELE-BANKING, EDI are discussed. Some challenges are also mentioned such as security concerns, consumers laws, technological obsolescence, mergers, penetration of IT in rural areas and outsourcing. Hence the result show that there is a paradigm shift from the seller's market to buyers's market and approach is changed from conventional banking to convenience banking and mass banking to class banking.

Seema malik, Rohtak, " Technological innovation in Indian banking sector, Changed face of bank". International journal of advance research in computer science and management studies. June 2014. The research paper focuses on how the technology has transformed the face of banking in India. The various innovation on banking and financial sector are ECS, RTGS, EFT, NEFT, retail banking, debit credit cards etc. It also highlights the benefits and challenges of changing banking trends. Its studies how innovation have contributed to develop in Indian banking. It also shows the ways to widen the gap between revenue and costs involved with reference to technological up gradation. It covers the challenges that banks are facing today high competition from private banks, MNC, diverse needs of customer's problem of nonperforming assets keeping pace with technology up gradation etc. Banks should adopt holistic approach to fulfil ever changing needs of customers and match with international standards and to grab a better market share.

Dr K. Ratna Manikyam, "Indian banking sector – challenges and opportunities". Journal of business & management. Feb 2014. This paper explains the changing banking scenario the impact of economic reforms and analysis the challenge and opportunities of national commercial banks. The objective of this

paper is to explain the impact of liberalisation, privatisation, and globalisation. In addition to this an attempt is made to highlight significance of banks in India. It is the outcome of secondary data based on annual reports, journal, periodicals on this area, internet searching has also been done according to study Indian banking has potential of becoming fifth largest in the world by 2020 and third largest by 2025. Evolution of Indian banking industry. According to paper biggest challenge in banking industry is to serve the mass & huge market of India. Companies have to become customer centric than product centric technology up gradation is an inevitable aspect to face challenge.

Ms. Tripti Wadhe, Indore, "Impact of E-banking on profitability of commercial banks in India". International journal in management and social sciences. Feb 2015. The study is conducted to analyse the effect of E-banking on profitability of banks. The study of 31 banks of India. The outcomes generated shows the positive effect on nationalised and old private sector banks profitability while using e-banking. These services have positive impact on the long run on profitability of banks. The research found that no. of ATM representing E-banking have a positive and system. Impact on banks performance. New private sectors banks are innovation of E-banking in India.

Amit Kumar drivedi, D kumara charyulu, " Efficiency of Indian banking industry the post-reform era" .IIMA, India research & publication, March 2011. This paper seeks to determine the impact of various market and regulatory initiative on efficiency improvement of Indian. Banks efficiency of firm is measured in terms of its relative performance. Data envelopment analysis (DEA) was used to indentify banks that are on the output frontiers given the various input at this disposal. It also proposed that the efficiency of a firm consists of two components i.e. technical efficiency & allocative efficiency .It is found that the national banks , new private banks, foreign banks have showed high efficiency over a period time than remaining banks. In general the efficiency scores were improved among all scheduled banks.

W. Scott frame & Lawrence J white, "Technological change, financial innovation and diffusion in banking", the oxford hand book of banking. Oxford University press chapter-19, 2009. This paper discusses the technology change and financial innovation that has been experienced by. Commercial banking over the past 20 years, the paper first describe the role of financial system in economies and how technology change and financial innovation can improve social welfare. The past 20 years have witnessed important change in banks production process. Advance in IT and financial theory spurred a revolution in banks risk management. As this survey indicates, although much has been learned about characteristics of users ad adoption of financial innovation and the attendant welfare implications, still some area about how and

why financial innovation are initially develop remains for further research.

Dr. A. Jaykumar, Mr. G. Anbalagan. Tamil nadu," A study of innovation and challenges in banking industries in India". International Journal of marketing, financial services and management research Dec 2012. The paper shows the rate of transformation was particularly high in 1990' and 2000'when a number of innovations changed the way banking was perceived. According to the paper, the use of IT in banking initiated in 1990' and there is strong disparity exists in rural and urban needs related to banking. Universal banking and smart cards are some of the chief changes some challenges are also highlighted like risk management, customer relation management, competition etc. So to face this dynamic environment banks need to restructure themselves and response promptly to market needs.

Allen N Berger, Washington, U.S.A. The economic effects of technological progress: Evidence from the banking industry, Forthcoming journal of money, credit and banking, 2003. This paper examines technological progress and its effect in the banking industry. Banks are intensive users of both IT and financial technology. The research suggests improvement in cost and lending capacity due to improvements in "back office" technologies, as well as consumer benefit from improved "front office" technologies. The research also suggests significant overall productivity increase in terms of improved quality and variety of banking services. The research findings for 1990's suggest that after controlling for exogenous market conditions, bank cost productivity declined but profit productivity increased. It also suggests that may be more bank cost scale economies or fewer diseconomies in 1990's and multibank holdings companies (MBHC's) significantly improved control over banks between 1980's and 1990'

Dr. S. Selvakumar, R. Muthamizhselvi.. Vellupuram," A study of financial Inclusion in India with special reference to Indian Banks", International Journal of research in commerce and management. (2015 June).The paper discusses the issue of financial inclusion as a new tool for growth of Indian economy. Different schemes are introduced to popularize financial inclusion especially JAN DHAN YOJNA .The study covers period of 1 year (2014-15).The main objective of the study is to analyse benefits gained through financial inclusion and to know the level of awareness towards various schemes in villupuram. According to the paper there is no significant difference between education and awareness of people. And in the same way no difference in income and saving habits of account holders. It is found that education, occupation, and income of people increased awareness about Financial Inclusion services in India. The paper suggests that Indian

banks should establish separate counters for financial inclusion services and training may be imparted for procedural education.

OBJECTIVES

1. To study role of government in technological innovations and trends in Indian banking industry.
2. To find the challenges in future for Indian banking industry.

METHODOLOGY

The present study is descriptive in nature. It is mostly based on secondary data has been collected from RBI(reserve bank of India)bulletin, annual reports, various websites of banks, journals, newspapers and books on banking.

ROLE OF GOVERNMENT TO STRENGTHEN INDIAN BANKING INDUSTRY

The government and the regulator have undertaken several measures to strengthen the Indian banking sector.

1. The government of India is looking to set up special fund, as a part of national investment and infrastructure fund (NIIF), to deal with stressed assets of banks. The special fund will potentially take over assets which are viable but don't have additional fresh equity from promoters coming in to complete the project.
2. The reserve bank of India (RBI) plans to soon come out with guidelines ,such as common risk -based know your customer (KYC) norms, to reinforce protection for customers, especially since a large number of Indians have now been financially included post the government's massive drive to open a bank account for each household.
3. In order to provide relief to the state electricity distribution companies, government of India has proposed to their lenders that 75% of their loans will be converted into state government bonds in two phases by march 2017.this will help several banks, especially public sector banks, to offload to state electricity distribution companies from their loan book, thereby improving their assets quality.
4. The reserve bank of India (RBI), the department of industrial policy and promotion

(DIPP) and the finance ministry are planning to raise the foreign direct investment (FDI) limit in private banks to 100% from 74%.

5. Government of India aims to extend insurance, pension and credit facilities to those excluded from these benefits under the Pradhan Matri Jan Dhan Yojana (PMJDY)
6. The government of India announced a capital infusion of rs.6,990 crore in nine state run banks, including state bank of India (SBI) and Punjab national bank (PNB). However, the new efficiency parameters would include return on assets and return on equity. According to the finance ministry, "this year, the government of India has adopted new criteria in which the banks which are more efficient would only be rewarded with extra capital for their equity so that they can further strengthen their position".
7. To facilitate an easy access to finance by micro and small enterprises (MSES),the government /RBI has launched credit guarantee fund scheme to provide guarantee cover for collateral free credit facilities extended to MSES upto rs.1 crore. moreover, micro units development and refinance agency (mudra) ltd. was also established to refinance all micro-finance institutions (MFIS),which are in the business entities engaged in manufacturing, trading and services activities upto rs.10 lakh (us\$ 0.015 millions).
8. The central government has come out with draft proposals to encourage electronic transactions, including income tax benefits for payments made through debit or credit cards.
9. The union cabinet has approved the establishment of the us\$ 100 billion new development bank (NDB) envisaged by the five –member BRICS group as well as the BRICS "contingent reserve arrangement" (CRA)
10. The government has plans to set up a fund that will provide surety to banks against loans given to students for higher education.

CHALLENGES FOR INDIAN BANKING INDUSTRY

The Indian economy is on the brink of a major transformation, with several policy initiatives set to be implemented shortly. Positive business sentiments, improved consumer confidence and more controlled inflation are likely to prop-up the country's the economic growth .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 as the rapidly growing business would turn to banks for their credit needs.

Also, the advancement in technology has 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.

Many banks, including HDFC, ICICI, and axis are exploring the option to launch contact-less credit and debit cards in the market shortly. The cards, which use near field communication (NFC) mechanism, will allow customers to transact without having to insert or swipe.

CONCLUSION

Thus, the conclusion derived is that the growth of economy is the result of the contribution of both our government and banking sector. They are supporting each other in all the possible manners in order to take our country on a road to success in the world market. Banks have gradually transformed themselves as universal banks. Many new trends and technologies like ATM, internet banking, mobile banking, social banking have made "anytime anywhere banking" the norms now.

Government of India is also playing a very vital role in increasing efficiency in Indian banking sector by providing financial support and various other benefits related to tax, loans, credits etc. Still there are lots of challenges to be faced by this industry in order to face the competitive market and other future uncertainties.

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