



A Study On Opportunities And Challenges Of Financial Services In Indian Banking

Pritam Lal

Associate Professor in Commerce

S.V.G.C Ghumarwin Distt. Bilaspur (H.P.)

ABSTRACT

The Indian economy is supported by its financial sector. Since the economic liberalization after 1990, the Indian banking industry has seen a development associated with a significant increase in its asset quality and efficiency. Today's environment is so ingrained with information technology that it is difficult to imagine an existence without it. technology that enables more efficient handling of larger volumes. Therefore, it is essential to not only upgrade the technology, but also integrate it into the way banks generally operate. The banking sector is no exception to this global changing environment. A new era in banking has emerged as a result of technology. Through the use of call centers, ATMs, internet banking, mobile and telebanking, bank automation and the increased use of plastic money, Indian banks have consistently encouraged investment in information technology. Banks are currently moving from decentralized operations to a centralized environment that is driven by information technology. By providing specialized goods and services, banks are better able to connect with their consumers. Banks were able to compete in the new environment due to changes in the banking sector. The banks of the future will be user-friendly, technology-driven businesses that strive to create a serious and sustainable corporate position. In order to provide tailored 'Anytime Anywhere Banking' services, information technology has been integrated into banking operations. In discussing the changing landscape of financial services in the Indian banking system, we addressed and analyzed the opportunities and challenges of technological development, legal regulatory framework and risk management.

Keywords: Economy, Information Technology, opportunities, Challenges, Business, Customers, Banks.

1. INTRODUCTION

The traditional branch banking model in Indian banking will soon give way to a more specialized banking structure. Technology-enabled financial services place great emphasis on customer-centric engagements to meet their demands and expectations with specialized services. Since Net Banking and Mobile Banking have qualities that are close to the characteristics of an ideal banking system, modern customers seek these types of banking services [1-5]. The practice of monitoring bank transactions in person at a branch is outdated. The new criteria of net interest margins, non-performing assets and profitability replaced traditional measures of bank performance such as deposit growth. Cashless and paperless financial transactions, consumer experiences and marketing functions are enabled by technology. By 2020, the common Indian is predicted to be of the younger generation, financially and socially independent, tech-savvy and well-connected on social media. Banks try to attract this group of clients with user-friendly products and services that meet their requirements. Broadband highways, mobile connectivity, public internet access programme, e-Governance and e-Kranthi were all introduced as part of the Digital India Programme, which transformed the national e-Governance plan. The introduction of computerization by both public and private sector banks to increase productivity increases the efficiency of banking transactions by achieving better performance without a corresponding increase in the number of workers [6]. Electrification of Banking Operations Tomorrow's financial industry must be planned now with information technology that has synchronized the operation of banks and financial institutions worldwide, in line with the saying "The future belongs to those who prepare for it today". It has been recognized that information technology is the key to the success of the Indian banking system. Committee Dr. C. Rangarajan in 1984 recommended that bank branches, regional, zonal and headquarters should be automated and computerized and also suggested that bankers should be given an opportunity to participate in this process [7]. The implementation of information technology in the public sector marked the beginning of progress in several areas towards increasing the usefulness of services. Over time, IT has evolved into an integral part of the banking industry and brought about a number of changes brought about by the adoption of IT in banking. It brought in brand new banking features like e-banking, internet banking, mobile banking, automated teller machines (ATM), universal banking, investment banking, core banking, etc., which had a significant impact on banking operations [8].

Objectives of the Study

- (1) To examine the opportunities and challenges for sustainable growth.
- (2) To know the Challenges faced by Indian banking industry.

Methodology:

Qualitative and quantitative approaches were used in the study, which shows the fundamental importance of methodology in the construction of research papers. The secondary data required for this article has been collected from published sources including various periodicals, articles, reports, books, magazines and literature

on the subject. Electronic resources are also consulted to obtain the latest and most up-to-date information on the subject.

2. TECHNOLOGICAL DEVELOPMENTS IN THE BANKING SECTOR:

Use of Social Media Platforms (a) With the help of the Internet, a network that is connected to the rest of the world, the exchange of information is facilitated. Online banking, micro statements, checkbooks, debit card upgrades and purchasing virtual items are becoming more popular. Banks are increasingly creating many social payment programs that enable money transfers through social media channels to reach out to their clients through these platforms. By using information technology as a communication tool, unexpected changes occur in society. The geographical gap between banks and clients has been removed by the Internet, which has changed the ways of communication, employment, education, entertainment, health, commerce and business. To survive and thrive in the modern world, banks must focus their attention on service quality and usefulness by adapting to the changing demands of their customers for technology-enabled services such as ATMs, electronic transfers, and electronic commerce [9-12]. Mobile Banking (b) More than 80% of Indians now own mobile phones, which has led to a steady increase in the volume of mobile payments. According to a report by e-commerce study Accel Partners, mobile phone purchases grew 150 percent in 2016 from the 800 percent that prevailed in 2013.

(c) It is unfathomable to imagine that one can conduct financial activities anywhere in the country using robust yet user-friendly internet, even from roadside kiosks. But with the widespread use of the Internet as a platform in banking that has become a reality to lend credit to banking everywhere. With the development of electronic banking, electronic fund transfers and other related technologies, money transfers that were unthinkable a few years ago are now feasible within minutes. The threat to the proud dominance of banks in this area has been created by the introduction of new firms into the fund transfer services market. The World Wide Web (WWW) has evolved into a practical platform for global communication. (d) Online shopping Banks and financial institutions have placed their official websites on the Internet to provide information about their profile, management details, various products, value added to their services and regulations and terms of service. This enriched contact with customers in a practical and reliable way. With the development of software technology, the Internet has advanced to bring e-commerce to commercial organizations in a unique way, enabling interactive two-way systems with static web pages.

e) Core banking: Core banking systems have been adopted by all banks, with some of them completing the process [13]. In order to offer consumers easy banking services, this system will connect all branches of the same bank with branches of other banks and ATM services. Using the Internet and server technologies, it manages cash flows, reconciliation of all financial activities and management information systems (MIS). Customers can use this platform to create fixed deposit or recurring deposit accounts, cancel check payments, top up check books, send drafts or money orders and register account statements via email on a daily, weekly, fortnightly or monthly basis.

(f) Online Banking Financial institutions have raised people's expectations of technology-based services with the advent of electronic banking. Most clients are satisfied with the benefits of services provided through e-channels, but a significant barrier in this regard is the lack of knowledge about how to use these services effectively [14]. To use this feature, a registered user must provide their company ID, user ID and password. After logging in, he can check all his accounts online and make real-time financial transfers between banking networks. Financial transfers are stored in the bank's database, which are subsequently made available to it for integration with its management information system. Electronic Security Measures (g) Advances in computing and telecommunications have completely transformed the financial sector by introducing alternative delivery channels such as ATMs, telebanking, remote access, internet banking services and others. However, trust in the security aspects of these channels must be ensured by installing security systems to protect personal data and transactions with authentication and user identification, confidentiality, integrity and non-repudiation [15-18].

In this context, software developers were introduced to site security firewalls, filter routers, Secure Socket Layer, 128-bit encryption environment, Ver-sign Digital Certification, etc.

(H) Software Development IT professionals have started developing specialized software to integrate social intelligence technologies into banking processes. Banks have started launching official websites on the Internet to spread their virtual business identity around the world. Higher productivity resulted from replacing manual data processing with software for cross-departmental reconciliation, monthly payroll processing, publishing and finalizing financial accounts, and preparing annual statements by combining transactions from many branches. This has made it easier for companies, stockbrokers, mutual fund gurus and insurance organizations to sell products to individual clients.

(i) Digital Signatures - In accordance with the Information Technology Act, public key cryptography has been used to implement the electronic signature. The basis of cryptography is the use of computational functions to create two unique "keys" that are mathematically linked. A digital signature can be created by using one key to convert the data into an unintelligible format, and the other key can be used to verify the digital signature and restore the message to its original format. (k) Corporate Internet Banking (CIB) Electronic banking services are provided through ATMs, telebanking, mobile banking and internet banking, all of which provide significant growth potential and security challenges [19]. l) Affiliate Services (i) Micro ATMs: Banks have started providing banking services in rural areas using micro ATMs that use mobile platforms and card readers to facilitate data transfer using USSD technology without the need for a smartphone or internet connection. (ii) Bill Payment: The introduction of electronic bill transfer facility where one can pay his regular monthly bills using electronic transfer technology from his computer has solved the problem of having to visit different offices to pay his utility bills for telephone, water, electricity, insurance, cable charges, etc. With this technique, negotiating outstanding payments in advance helps minimize hassles like missed deadlines and lost interest. (iii) E-Shopping: Customers using approved funds transfer methods can shop from various franchise websites without worrying about security issues. (iv) Personal Investments: Banks provide individual investments in shares and other financial products. Customers can invest in mutual funds using electronic banking without having to deal with the inconvenience of filling out applications and other paperwork, even without the need to provide signatures or other forms of identification. The required fund will automatically debit and credit according to the debit and credit of its units after receiving a request to invest in a specific fund. (v) Equity trading: Banks provide 'money trading' to deliver shares or cash. Customers can buy or sell shares on margin up to four times the amount of their available funds to offset their position during the same settlement cycle. By depositing funds into the shareholder's bank account the same evening instead of waiting for the exchange date, "Spot Trading" of shares is enabled through the "Cash on Spot" method for quick liquidity.

(vi) Credit Card Facility: Banks offer credit card services by themselves or in collaboration with affiliates. Although prior permission from Reserve Bank of India is not required, the net worth of the bank must be at least Rs. 100 million crores. The bank dealing with this company must submit a comprehensive review report every six months containing information on the credit card business, including the type, number of cards issued, balances or debits, fraud cases, profitability, etc. Banks should implement internal control measures, to prevent fraud and should also provide protection for the profitable and prudent conduct of credit card transactions.

3. REGULATORY FRAMEWORK FOR USE IN BANKING:

Communication system and digital technology brought significant changes in the banking industry under the Information Technology (IT) Act of 2000. After considering the short-term and long-term planning of integration of technology systems with business objectives, banks started using information technology [20].

A. The Information Technology (IT) Act, 2000 was passed by the legislature to provide legal legitimacy to electronic media. Information is not excluded from legal force, validity or enforceability due to its electronic nature; rather, it depends on the legitimacy and authority provided by electronic data interchange (EDI), electronic records, and electronic signatures. By allowing the controller of certification bodies to verify these signatures, the law gives legal legitimacy to electronic documents and signatures. Chapter XI of the Act mentions the following group of IT violations: (i) Hacking: erasing, erasing or altering any data from a computer resource or reducing its value or usefulness in any way to harm the general public or a particular individual. (ii) Obscenity: Posting, posting or soliciting the posting of any pornographic material, including images. (iii) Protected Systems: The Government of India has the power to designate any computer network or system as a protected system by restricting access to authorized persons and prohibiting infringement. (iv) Violation of Confidentiality and Privacy: Dissemination of any electronic record, book, register, communication, information, document or other material that has been made available or received without the permission of the owner. (v) Publishing a digital signature with knowledge that the CA, subscriber, or certificate has been suspended or revoked, or that the certificate has not been issued by any of the parties named in the certificate. (vi) Intentionally creating, distributing or otherwise making available a digital signature certificate for fraudulent or illegal purposes.

(a) Amendments to Other Laws With stricter compliance requirements and increased international standards for financial services, India's regulatory framework is constantly changing. In order to maintain international standards of technology and services, regulatory authorities have increased their vigilance and strict enforcement. As a result of the enactment of the IT Act, 2000 and several other related laws, some modifications have been made. The phrases "electronic record" and "record" or "document" have appeared under various provisions of the Indian Evidence Act, 1872. Electronic documents that have been authenticated with digital signatures and certificates are also considered as evidence. Falsification of records including any list, data or records of any records stored in electronic form permitted under the IT Act is punishable under Section 446 of the Indian Penal Code, 1860. Bank books have been defined as ledgers, diaries, cash books, books of accounts and any other books used in the ordinary course of business of the bank, whether kept in written form or as printouts of data stored on diskette, tape or any other type of electromagnetic storage device.

The Reserve Bank of India Act 1934 gave the Central Board the power to lay down rules for electronic cash transfers between banks or between banks and other financial organisations. Accumulation of black money was governed by the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Taxes Act, 2015 (the "Act"). By introducing guidelines for the verification and recognition of contracts created by electronic means and enabling the admission of computer evidence in court, the IT 2000 Act helps the development of e-governance and electronic commerce. Additionally, it allows government agencies to receive electronic documents.

4. EVOLVING RISKS IN BANKING SERVICES:

The dangers of technology, technology standards, and regulatory frameworks collapsing are many for technology-enabled financial services. The new banking environment is vulnerable to e-mail spoofing, web spoofing, connecting to user computers, hacking bank servers, media eavesdropping, and denial of service, among others. New risks in this regard include website cloning, identity theft, card skimming, vishing, SMSishing, viruses, trojans, spyware and adware. Banks provide mobile and online banking services that allow customers to make payments using debit or credit cards or E-transactions, which are extremely vulnerable to sophisticated cyber attacks. According to businesses around the world, including India, the PwC Global Economic Crime Survey 2014 found that cybercrime is one of the top economic crimes.²¹

5. CONCLUSION:

The banking sector is moving towards national development due to the information technology revolution. The financial services industry is undergoing rapid development that encourages new firm entry and product innovation while escalating rivalry. Studying customer behavior patterns is now a must for service providers if they want to improve the pace of their offerings and compete. With regional, state and national presence, the banking landscape in India is changing. By creating solutions specifically for tech-savvy Gen-Y clients, banks can try to attract their business. In order to cross-sell various services to its current clients, it also needs to use most of its employees in the sales and marketing departments. The right channel was chosen for transactions and technology helped with e-governance, customer relationship management, security issues and IT implementation in rural areas at a much lower cost than traditional branch banking. In the near future, the demand for qualified workers from various fields to work in banks will increase. To increase customer loyalty and business, banks must use data analytics to gain feedback from current consumers. Instead of working in several other sectors, the best way to flourish in the banking industry is to develop partnerships with many organizations that provide different services. Banks should identify their core skills and work to strengthen them. As a knowledgeable banker offering all financial services at the touch of a button, the bank should adopt the philosophy of "One size fits all products". Android systems that are used with better, faster and more convenient distribution channels will be highly profitable. The incorporation of IT into the operational system of public, private and foreign sector banks in India has had the beneficial effect of bringing the Indian banking environment more in line with the standards of international financial institutions. In order to satisfy customers and ensure regulatory compliance

and stay ahead of the competition, new standards must be set for the delivery of goods and services. In order to compete in the global market, Indian banking strives to meet the financial requirements of the population by minimizing enforcement risks by adhering to international rules. To stay one step ahead of criminals, financial institutions should educate their clients about the fraud risks and vulnerabilities associated with the use of cutting-edge technology in financial operations.

6. Suggestions

According to the above debate we can conclude that the main problem of the banking industry is catering to the Indian mass consumers. Companies now place more emphasis on the consumer than on the product. The better we deal with their demands, the more successful we will be. Indian banks need to reduce their cost of service to address the above issues. Product diversification is another area of difficulty. In addition to providing regular banking services, Indian banks need to innovate their products if they want to remain competitive across the board. Modernizing technology is a must to solve problems. Compared to previous years, consumer awareness is significantly higher. Nowadays, they require ATM services, mobile banking and online banking. Another strategy to fend off rivals is branch expansion to gain market share. Therefore, as several of them have already done, India's nationalized and private sector banks need to spread their wings towards international markets.

REFERENCES :

- [1] Aithal, P. S. (2016). Realization of Ideal Banking Concept using Ubiquitous Banking, International Journal of Scientific Research and Modern Education (IJSRME), 1(2), 119-135. DOI: <http://dx.doi.org/10.5281/ZENODO.164703>.
- [2] Aithal, P. S. (2016). Ideal Banking Concept and Characteristics. International Research Journal of Management, IT and Social Sciences (IRJMIS), 3(1)1, 46-55. DOI : <http://dx.doi.org/10.21744/irjmis.v3i11.311>.
- [3] Aithal, P. S. (2016). A Comparison of Ideal Banking Model with Mobile Banking System. International Journal of Current Research and Modern Education (IJCRME), 1(2), 206-224. DOI: <http://dx.doi.org/10.5281/ZENODO.198708>.
- [4] Krishna Prasad, K., Aithal, P. S. (2017). A Customized and Flexible Ideal Mobile Banking System using 5G Technology. International Journal of Management, Technology, and Social Sciences (IJMTS), 2(1), 25-37. DOI: <http://dx.doi.org/10.5281/zenodo.820860>.
- [5] Krishna Prasad, K. and Aithal, P. S. (2017). A Study on Enhancing Mobile Banking Services using Location based Authentication. International Journal of Management, Technology, and Social Sciences (IJMTS), 1(1), 48-60. DOI: <http://doi.org/10.5281/zenodo.583230>.

- [6] Parsons Darrell, Calvin C Gotlieb & Michael Denny (1993). Productivity and Computer in Canadian Banking. The Journal of Productivity Analysis', Kluwer Academic Publishers, Boston, Netherlands, 4, 95-113.
- [7] Indian Institute of Banking & Finance, Mumbai (2008). 'Principles and Practice of Banking', Mac Millan Publishers India Limited, Chennai, 2nd Ed., 265.
- [8] Rajashekhara K. S., (2004) "Application of IT in Banking", Yojana, A Development Monthly, July, 48, 22-25.
- [9] Krishna Prasad, K. and Aithal, P. S. (2015). Massive Growth Of Banking Technology with the Aid of 5G Technologies. International Journal of Management, IT and Engineering (IJMIE), 5(7), 616-627. DOI : <http://doi.org/10.5281/zenodo.268879>.
- [10] Varambally K.V.M. & Aithal P. S. (2009). Mobile Business Technology and Business Proliferation of Banks – A futuristic Approach Amity Business Review – an Indian Journal, 10(1), 9–25.
- [11] Aithal, P. S., and Shubhrajyotsna Aithal, (2016). Opportunities & Challenges for Green Technology in 21st Century. International Journal of Current Research and Modern Education (IJCRME), 1(1), 818-828, 2016. DOI : <http://doi.org/10.5281/zenodo.62020>.
- [12] Ananthakrishnan G, (2004) Customer Service in Banks, Vinimaya, October-December, 25(3), 41. Pradeep M. D. et al, (2018); www.srinivaspublication.com PAGE 9 International Journal of Management, Technology, and Social Sciences (IJMTS), ISSN: 2581-6012, Vol. 3, No. 1, January 2018. SRINIVAS PUBLICATION
- [13] Kamakodi N. & Basheer Ahmed Khan M, (2008). Customer Expectations and Service Level in E-Banking Era: An Empirical Study', The ICFAI University Journal of Bank Management, November, VII (4), 50-70.
- [14] Uppal R. K., (2008). 'Customer Perception of E-Banking Services of Indian Banks: Some Survey Evidence', The ICFAI University Journal of Bank Management, February, VII (1), 63-78.
- [15] Raveendranath Hebbar, (2004). 'Building trust in E-Banking', Vinimaya, January- March, 24(4), 8.
- [16] Aithal, P. S. (2015). Factors Affecting Banker's Perspective On Mobile Banking. International Journal of Management, IT and Engineering (IJMIE), 5(7), 28-38. DOI : <http://doi.org/10.5281/zenodo.268816>. [17] Aithal, P. S., and K. V. M. Varambally, (2015). Customer Perspective on Online Mobile Banking in India - An Empirical Study. International Journal of Management, IT and Engineering (IJMIE), 5(7), 77-97. DOI : <http://doi.org/10.5281/zenodo.268818>.
- [18] Aithal, P. S. (2016). A Review on various E-business and M-business models & Research Opportunities, International Journal of Management, IT and Engineering (IJMIE), 6(1), 275-298. DOI : <http://doi.org/10.5281/zenodo.161146>.

[19] Jadhav A. S. & Mrs. R. A. Jadhav, (2004). 'Status of E-banking in India', National Annual Convention of CSI.

[20] Gulati V. P., Sivakumaran M. V. & Manogna C, (2002). 'IT framework for Indian banking sector', ASCI Journal of Management, 31(1&2), 67-77.

[21] Aithal, P. S., (2015). Recommendations on Policy & Regulatory Guidelines For Mobile Banking in India. International Journal of Management, IT and Engineering (IJMIE), 5(7), 1-20. DOI : <http://doi.org/10.5281/zenodo.268815>.

