

INNOVATIONS IN BANKING PRODUCTS: A BOON FOR CUSTOMERS

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ABSTRACT

Banking sector plays a significant role in economic growth and technological innovations in this sector contributing for more growth. Now a day's banks may not be traditional, they require more innovations in the products to retain their customers for long time. The main objective of this paper is to know about the different technological innovations adopted by banks to improve the productivity as well as national development. The paper identifies different innovative products like Mobile banking, Internet banking, ATMs, Smart cards, Electronic fund transfer etc. For all this, secondary data is to be used as different research papers, journals, magazines, handbooks of banks and some websites. This paper covers some reviews of different authors. The research concluded that banks require innovative products with them to survive in this competitive world and obviously, banks are contributing in national growth just because of these innovative products.

KEYWORDS: Banking products, Technological innovations, customer satisfaction, economic growth.

INTRODUCTION

There are number of service sectors that are contributing for economic growth, and Banking sector is one of them. The banking sector plays a significant role in global economy. It influenced by both factors i.e. internal factors and external factors and technical innovations covers under external factors. The Banking sector is experiencing an alteration due to change in customer's behavior, knowledge and a result of globalization. These days the Indian Banking Sector has seen number of changes and most of banks began to take an innovative challenge towards banking with the objectives to create more customers. Hence, there is a need for banks to adopt different innovative schemes. The Banks are now adopting a new way to attract and retain the customers for long time. Competitors also play significant role in it that why banks have to change their strategies. Banks cannot afford to neglect the different and attractive schemes if they want to operate at their maximum level. As customer's demands are changing, so banking industry has been trying to make their system more effective to attract more customers. Banks worldwide are exploring new technologies that can help them to compete in their digital age. In today's era, all types of banks whether they are public or private have been started with different channels like ATM, Mobile Banking, Internet Banking, e-learning, Debit card, Credit card, Fund transfer, Travel cheque etc. This is the time of digital world and hyper connected environment requires banks to reinterpret their business continuously and Indian banks are leading the pack when it comes to digital to truly digital.

REVIEW OF LITERATURE

According to Pallavi Routaray (2018), Banks are already gearing towards industry 4.0, creating a bank of future, stamping out corruption, enhancing financial inclusion and facilitating the convenient

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and connected experience for its customers worldwide.

According to Anthony Back (2016), with the advance technology, there are significantly more devices available for customers to do their banking activities. This, together with rising customer expectations is leading many retail banks to move towards an omni-channel approach. By utilizing this strategy, banks ensure the continuity of their customer service experience.

Aruna R Shet (2015) says that Technological innovation in Indian Banking Sector contributed to the development of Indian Banking and that development of sophisticated products with low cost technology is the key by in-depth analysis of customer needs, the market and competitors trends.

According to Maithili RP Singh (2014), identified the recent innovative practices in banking sector and concluded that the new concepts, new benchmarks, new forces, are now changing Indian banking industry.

Dr. A Jayakumar and Mr G Anbalagan (2012) concluded that banks need to restructure themselves and identified practices which need to be adopted.

According to Svensson (2011), Mostly companies involve their customer about customer satisfaction, it varies in different stages. Customer involvement rising new level with help of toolkits, toolkits provide new way to create new ideas, open source of innovation.

Zolfagharian and Paswan (2010), says that the new services go through different stages

- perceptual and evaluative process for goal setting
- emotional acceptance and resistance
- coping responses
- adopting decision

According to Yasuharu (2003), implementation of information technology and communication networking has brought revolution in the performance of the banks and the financial institutions. It is argued that theatrical structural changes are in store for financial services industry as a result of the internet revolution, others see a continuation of trends already under way.

Alu (2002), says that IT affects financial institutions by lessening enquiry, saving time and improving service delivery. In recent decades, investment in IT by commercial banks has served to rationalize operations, improve competitiveness, and increase the variety and quality of services provided.

OBJECTIVES OF THE STUDY

The key objectives of this study are:

- To know the different technological innovations in banking sector.
- To determine the effects of innovative schemes on customer.

INNOVATIONS IN BANKING PRODUCTS

The Indian banking sector is beginning to incorporate the traits and practices that were once the domain of Fintech startups in India. Bank unions have become more comfortable with a faster pace of innovation. There are a number of factors of innovations in banking such as ATM, Retail Banking, Internet Banking, Mobile Banking, Electronic Payment System, Smart Card, E-Learning, Plastic

money etc., which plays a significant role in economic growth.

EXPANSION OF OPEN BANKING: More and more regulatory bodies globally are requiring banking organizations to enable customers to share their data securely with third party to increase competition in the banking industry. By making account and data payment data available through secure APIs, customers have greater freedom and control in how they interact with their financial service providers. Open banking application programming interfaces accelerate innovation and collaboration leading to expanded banking ecosystems. The expansion of open banking will also encourage non-traditional financial firms to collaborate with traditional banks.

INTERNET BANKING: Internet Banking means a method of banking in which transactions are conducted electronically via the internet. It is also known as online banking. The online banking system will typically connect to the part of core banking system operated by a bank and is in contrast to branch banking which was the traditional way customers accessed banking services. It can be offered only by banks licensed and supervised in India while overseas branches of Indian banks are allowed to undertake internet banking only after satisfying the host supervisor in addition to the home supervisor.

ELECTRONIC FUND TRANSFER SYSTEM: National Electronic Funds Transfer popularly known as NEFT enables bank customers in India to transfer funds between any two NEFT enabled bank accounts on one-to-one basis. It is a nationwide retail electronic transfer mechanism between the networked branches of banks. It is done through electronic messages. It is an electronic funds transfer system where anyone who wants to make/receive payment to/from another person/company, just enter the details like receiver's name, bank account number, account type, bank name, city, branch name etc. and transaction can be done electronically.

REAL TIME GROSS SETTLEMENT: Real Time Gross Settlement popularly known as RTGS is a system where the transfer of money or securities takes place from one bank to any other bank on a "real time". It means a payment transaction is not subjected to any waiting period, with transactions being settled as soon as they are processed. This system also covers "Gross settlement" which means the transaction is settled on one-to-one basis without bundling any other transaction. It is operated by Reserve Bank of India. Basic difference between NEFT and RTGS is that while NEFT is based on net settlement, RTGS is based on gross settlements.

AUTOMATED TELLER MACHINE: Automated Teller Machine popularly known as ATM is a machine that dispenses cash or performs other banking services when an account holder inserts a bank card. It is an electronic banking outlet that allows customers to complete basic transactions without the aid of branch representatives. Automated Teller Machine enables the customers to withdraw their money 24 hours a day and 7 days a week. Automated Teller Machines can be used for cash withdrawal, payment of utility bills, funds transfer between accounts and cash into accounts, balance enquiry etc.

MOBILE BANKING: Mobile banking is a service provided by a bank that allows its customers to conduct any type of finance related transaction remotely using a mobile device such as Smartphone. It uses software, usually called an app, provided by the financial institutions for the purpose and it is usually available on a 24-hour basis. With the help of Mobile banking, it reduces the cost of handling transactions by reducing the need for customer to visit a bank branch for non-cash withdrawal and deposit transactions. Mobile banking is depends upon the availability of an internet or data collection

to the mobile device.

CHEQUE TRUNCATION SYSTEM: Cheque Truncation System popularly known as CTS is a cheque clearing system. It is undertaken by the Reserve Bank of India for quicker cheque clearance. It offers a number of benefits like cost saving, time saving, human resource rationalization, business re-engineering and enhanced customer service. It also eliminates the probability of cheques misplaced in transit. There is not any other provision related to extra charges levied for the collection of cheques drawn on a bank located within the grid, further providing no geographical restrictions.

CORPORATE BANKING: Corporate banking is a specialized division of a commercial bank that offers various banking solutions like cash management, asset management, underwriting to large corporations as well as to small and medium corporations. It is also known as business banking refers to the aspect of banking that deals with corporate customers. It provide services like overdraft, domestic and international payment, funding, channel financing, working capital facilities, international trade, letter of guarantee etc. corporate banking make loans that enable businesses to grow and hire people and also contributing to the expansion of the economy.

SMART CARD: Smart card is a physical card that acts as a token. Smart cards are designed to be tamper resistant and use encryption to provide protection for in memory information. Smart card microprocessors or memory chips (that acts as a security token) exchange data with card reader and other system over a serial interface. Smart cards are generally used in applications that must deli ever fast, secure transactions and protect personal information such as credit cards and other types of payment cards. Smart cards may be categorized by their applications like debit card, credit card, entitlement or other payment cards etc.

MICROFINANCE: Microfinance is also called microcredit. It is a category of banking service that is targeted at small businesses or individuals who lack access to conventional banking. Along with finance most of the banks offer additional services like checking and saving accounts, micro insurance products, provide financial and business education. The basic aim of microfinance is to give people an opportunity to become self sufficient. Microfinance allows people to take small loans for business safely. Entrepreneurs who create successful businesses in turn creates jobs for others and also overall economic development.

MICRO-ATM: Micro-ATM is the most potent tool to facilitate mobility ofBCAs to deliver door step banking. Providing of Micro-ATMs at BC locations facilitates both Debit card transactions and Aadhar based transactions which has scaled up interoperable transactions and also facilitate door step banking i.e. delivery of banking services in other than BC fixed location villages. Micro-ATMs allow customers to perform basic financial transactions using only their Debit cards and PIN. Further customers uses their UID number and fingerprint as identity proof along with a Bank Identification Number for inter-bank transactions.

SATELLITE BANKING: As per RBI policy where the banks are not convenient to open branches in rural areas or its not visible to open then they may open satellite offices. The use of satellite for establishing connectivity between branches will help banks to reach in such areas where they were not able to reach easily like rural and hilly areas and also can offer facilities in a better way. Satellite banking is an technological innovation in Indian banking sector which is expected to help in solving problem of weak terrestrial communication links in many parts of the country. Customers can transact business on non-operating days also.

CORE BANKING: Centralized Online Real-time Exchange means CORE Banking is a banking service provided by a group of networked bank branches where customers are access their bank account and performs basic transactions from any of the member branch offices. Core banking basically covers depositing and lending of money. There are many functions performed by core banking such as loans, mortgages, transaction accounts, credit processing, payments etc. The main aim of Core banking is to empower existing and probable customer to have a greater freedom of their account transactions.

CONCLUSION

This is the competitive world and one who wants to survive here has to be with different features. As banking sector is one of the emerging sector which plays a significant role in economic growth. The banking sector in India is aiming at higher productivity and efficiency and for all this banks are using different technological innovations to satisfy their customers. Technological innovations like ATMs, Micro-ATMs, Debit cards, Credit cards, Microfinance, Internet banking, Mobile banking, Electronic fund transfer etc. made banking easier. As today's customers are more intelligent and have full knowledge, they have money with them and have a variety of choices. Banking sector increased the accessibility of a common man to banks for productivity and requirements with the help of these innovations. With the technological advancement, new services are to be offered to customers and customers are taking interest in that, from which banks are contributing for national growth. Still there are some more innovations which are lined up and with the help of these upcoming changes banking sector will grow more.

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