



IMPACT OF INNOVATION IN BANKING SECTOR

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ABSTRACT: -

This study examines the impact of innovation (technological) factors on the performance of banks. The term innovation refers to “performing an existence process /task/ an activity in a new way”. Banking industry is one of the fastest growing industries in India. Banks in India have no longer restricted themselves to traditional banking activities but explored newer avenues to increase business and capture new market. The banking sector in India has seen number of changes. The innovation factors include internet banking, mobile banking, automated teller machine, RTGS, NEFT, SMS banking and Cheque. The internet banking has positive impact with public. Everywhere in the banking sector innovation is the buzzword and technological breakthrough is witnessing new avenues of success. Competition is compelling everyone to move ahead and faster. Due to the innovative nature of electronic banking services will show the bank performance significantly. The banking sector plays a n important role in the development of one country’s economy.

KEY WORDS: - Innovations, Development, Mobile Banking, Internet Banking, ATMs.

INTRODUCTION: -

Innovation is the application of new solutions that meet new and existing requirement, in articulated or existing market needs. This can be accomplished through new effective products, processes, services, technologies, or ideas that are readily available to markets, governments and society. Nowadays, technological innovation is considered one of the most important tools that can affect the economic sector as well as the banking sector. DeYoung has forecasted that technological progress will destroy the models used in developing and delivering services in banks and will replace them with new and original ones. Thus, banks should develop and adopt new technological innovation to perform in a highly competitive environment. Over the years, the banking sector in India has seen a number of changes. Most of the banks have begun to take an innovative approach towards banking with the objective of creating more value for customers. Information technology has given rise to new innovations in the product designing and their delivery in the banking and finance industries. Technology offers a chance for banks to build new systems that address a wide range of customer needs including many that may not be imaginable today. Financial innovation associated with technological change totally changed the banking philosophy and that is further

tuned by the competition in the banking industry. Challenging business environment within the banking system create more innovation in the fields of product, process and market. Today, we have electronic payment system along with currency notes.

OBJECTIVES OF THE STUDY: -

1. Brief description innovation in Indian banking sector
2. The purpose of the study is to emphasize the new financial innovations in the banking sector.
3. To study the challenges faced by banks in the changing scenario.

STATEMENT OF THE PROBLEM: -

This research is used to find out the various Innovations that are encountered impact of innovation in banking sector. It also provides necessary method that could be used in solving all these problems. The problems are Increasing Competition, A Culture Shift, Changing Business Model, Rising Expectations, Customer Retention, Outdated Mobile Experiences, Security Breaches. Adoption of new technology.

RESEARCH METHODOLOGY: -

The study is done in order to make an estimation of the current position of the Banking sector. The entire paper is based on the secondary sources of data viz. the various websites, academic journals, etc.

REVIEW OF LITERATURE: -

- I. **Hsu, Tian, and Xu (2014)** The real effects of financial market development on the economy have long been examined. This paper contributes to the current literature by examining the respective effects of equity markets and credit markets on technology innovation which is a vital source of economic growth.
- II. **Jalan, B. (2010)** in his research mainly focused on all the IT evolution that has changed the entire banking industry. Perhaps there is no other sector that has been affected by advances in technology as much as banking & finance sector has. It has the most important factor for dealing with the rising competition & the rapid explosion of financial innovations.
- III. **Hua G. (2009)** research mainly investigates the online banking recognition in China by conducting an experiment to investigate what is user's perception towards online banking, do customer feel ease and secure while doing online financial transaction on bank website.

TOOLS FOR STUDY: -

The showing statical tools applied to analyze the data collected through questionnaire: -

- ✓ Percentage Analysis
- ✓ Chi-Square Analysis.

ANALYSIS AND INTERPRETATION: -**TABLE: 1 RISK OCCURRED DUE TO INNOVATION**

Risk occurred	No Of Respondents	Percentage (%)
Frauds and Scams	15	60
Liquidity risk	07	28
Systematic risk	03	12
Total	25	100

INTERPRETATION:

The above table indicates risk occurred and 60% of people faces frauds and scams risk.

CHI-SQUARE ANALYSIS1: -

	Observed N	Expected N	Residual
Systematic risk	1	1.0	.0
7	1	1.0	.0
5	1	1.0	.0
Total	3		

TEST STATISTICS: -

	Risks occurred due to innovation
Chi-Square	.000 ^a
Df	2
Asymp. Sig.	1.000

a. 4 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 1.0.

FINDINGS: -

In the current scenario people go with innovation and technology to get their work done much smarter and faster. Innovation has completely changed the way of banking today. Innovation is result of search for profits. The development of computer systems and the internet has made electronic payments of the bills a cost-effective method over paper checks or money.

SUGGESTIONS: -

Encourage digital self-service. Create specialized offerings and Focus on building trust and brand loyalty towards the customers. Make customers to practice value-based decision making when defining digital journeys.

CONCLUSION: -

After number of technological innovation the entire Indian banking sector it emerged as a very firm banking industry in entire world not only in terms of capital but also in term of making and retaining customers. The Indian banking sector came to a position where it gives global competition to other banks of world in terms of higher productivity and efficiency in services. The focus has now been shifted from product to customer. Innovation covert Indian banking into the leaders of Internet banking, mobile banking, phone banking, ATMs. Information Technology only the tool which re-defined and reengineered banking system and gave it face that today banking sector is having, the use of these IT reform make it very clear that the future of banking will be more sophisticated and standard of services to the customers will be at continuous be improved with new innovations in product and process.

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