



# A Descriptive study of Recent trends in banking Issues and challenges

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## Abstract:

The banking industry and financial institutions are important parts of any economy. The development of these areas has had a big impact on the growth of financial services in India, and this change is still happening. This change is because of different factors like new rules and what customers want. But the biggest change has been because of technology. There has been a lot of new ideas and different ways of doing business in major banks. Some banks have started working in areas like consumer credit, credit cards, merchant banking, leasing, and mutual funds. Some have already created separate companies for these services, and many more are planning to do so. Some banks have also started offering factoring services. This paper looks at the recent changes in the banking system in India and how they affect the Indian economy.

**Key Words:** Banking industry, Digital India, Economic development, Financial services, Technological advancement

## INTRODUCTION

The rise of new financial technology has changed financial services and the banking sector in India. It has brought new technology trends that have led to big changes, growth, and progress in these industries. The connection between financial technology and banking has changed the way money is handled, and this partnership is expected to bring major changes with new trends in financial services. Examples of these trends include Fintech companies, internet banking, and mobile banking. These trends not only improve traditional systems but are also steps toward a cashless society, full digital transformation, and more Fintech growth. In this time of change, the only thing that is constant is change.

## OBJECTIVES OF THE STUDY

- ❖ To look at the recent trends in banking and financial services in India
- ❖ To understand how these trends affect the Indian economy
- ❖ To study the challenges that banks face
- ❖ To look at the future of the Indian banking system

## RECENT TRENDS IN BANKING AND FINANCIAL SERVICES IN INDIA

### ❖ Digitization

With the fast growth of digital technology, it became necessary for the banking and financial services in India to keep up and create digital solutions for tech-savvy customers.

Other industries like insurance, healthcare, retail, and trade are also going through major digital changes. To remain competitive, the banking and financial industries must take part in this digital shift.

In India, the banking sector started using information technology in the 1980s for basic functions like customer service, book-keeping, and auditing. Soon, Core Banking Solutions were adopted to improve customer experience. However, the real transformation started in the 1990s during economic liberalization, when India opened up to the global market. The banking sector welcomed private and international banks, which led to major technological changes in the sector. Today, banks and financial institutions have greatly benefited from adopting newer technologies.

The shift from traditional banking to convenient banking is amazing. Modern trends in banking make it easier, simpler, paperless, and branchless. Features like IMPS (Immediate Payment Service), RTGS (Real Time Gross Settlement), NEFT (National Electronic Funds Transfer), Online Banking, and Telebanking are now common. Digitization has reduced the cost of banking procedures, improved revenue generation, and cut down on human mistakes. It has also improved customer satisfaction and allowed customers to create personalized solutions for their investments, making the overall banking experience better.

### ❖ Enhanced Mobile Banking

Mobile banking is one of the biggest current trends in the banking system.

It is the use of a smartphone to do banking tasks such as checking account balances, making fund transfers, and paying bills, without visiting a branch. This trend has taken over traditional banking systems. In the coming years, mobile banking is expected to become even more efficient and easier to meet customer needs. Future trends in mobile banking suggest that IoT and voice-enabled payment services will become a reality. These services can be found in smart TVs, smart cars, smart homes, and more. Top industry leaders are working together to create mobile banking systems that use a user's voice to operate.

### ❖ UPI (Unified Payments Interface)

UPI or Unified Payments Interface has changed the way people make payments.

It is a real-time payment system that allows instant transactions between banks using a mobile platform. In India, this system is seen as the future of retail banking. It is one of the fastest and most secure payment gateways developed by the National Payments Corporation of India and regulated by the Reserve Bank of India. The system was launched in 2016. It allows fund transfers 24 hours a day, 365 days a year, unlike some other internet banking systems. Around 39 apps and more than 50 banks support this system. After demonetization, this system played an important role. In the future, with UPI, banking is expected to become more open.

#### ❖ **Block chain**

Block chain is a new and popular technology. It uses computer science, data structures, and encryption, and is the base of crypto currency. It's believed to be the future of banking and financial services worldwide. Block chain creates blocks that process, check, and store transactions in a way that can't be changed. NITI Aayog is making a big block chain network called India Chain, which could change many industries, stop fraud, make things more transparent, make transactions faster, reduce the need for people to handle things, and create a secure database that can't be hacked. Many areas of banking and finance, like payments, settling transactions, stock exchanges, trade finance, and loans, are expected to be affected. Because of its strong design, block chain is a powerful technology.

#### ❖ **Artificial Intelligence Robots**

Many private and government-owned banks in India are starting to use chatbots, which are AI-powered robots, to help with customer service.

Right now, this technology is still new and it's likely to grow. More advanced chatbots are expected to be used by banks to provide better customer experiences and personalized solutions. These robots can help reduce human mistakes, give correct answers to customers, detect fraud, collect feedback, and support financial decisions.

#### ❖ **Digital-Only Banks**

This is a new trend in India's financial system that's getting attention.

As more banks move to digital platforms, digital-only banks are becoming popular. These banks offer services without physical branches and through online platforms like mobiles, computers, and tablets. They make banking easier, provide instant data, and offer services in a simple way. These banks are becoming a big challenge to traditional banks.

ICICI is starting India's first digital-only bank.

These banks are liked by customers because they are cheaper to run and offer fast, low-cost services. In today's fast-paced world, they help customers avoid visiting a bank and waiting in line.

## ❖ Cloud Banking

Cloud technology is taking over many industries. Soon, it might also be widely used in banking in India. Cloud computing can improve and organize banking operations. It offers more flexibility and scalability, improves efficiency, makes it easier to use new technologies, speeds up services, and enhances data security. Banks won't need expensive hardware and software because updating information is easier with cloud-based models.

## ❖ Biometrics

Biometric authentication is changing how national identity is handled, and it's likely to affect many industries, including banking and finance.

By combining encryption and one-time passwords (OTPs), biometric systems can create secure databases that are safe from leaks and hacking attempts. Banks in India are exploring this technology to offer better security for customers' accounts and money.

## ❖ Wearables

With smart watches, banks are trying to develop wearable devices for retail customers to give easier access to banking data.

Wearables have changed the way people do everyday tasks. It's expected that these devices will become a big trend in retail banking, as they can provide major banking services with just a few clicks on a friendly user interface.

These are some of the newest trends in India's banking and financial sector.

All these new technologies are expected to change how business and money work. The future will bring big changes to traditional banking models. Although there are some challenges, customers are open to banking innovations and the government is supporting this with schemes like Jan Dhan Yojana, which aims to give a bank account to every citizen. Meanwhile, competition from foreign and private banks is pushing government regulators, nationalized banks, and financial institutions to adopt new technologies to stay relevant.

## Challenges Faced by Banks

The major challenges for banks today are how to handle competition and improve their financial strength.

Many banks are struggling with bad loans, known as Non-Performing Assets (NPAs). These loans, if not recovered, could harm the banks' health. Another concern is the high cost of managing these NPAs. Resolving this problem needs more accountability from companies, more transparency when loans go bad, better sharing of credit information, and a better legal system for the banking sector to make court processes faster and recover money in a reasonable time. The banking industry can't afford to keep dealing with so



many NPAs. So, loans should be given with a clear purpose to help save the banking sector. The banking world is changing quickly. Many new companies with different strengths are coming into the market. The Reserve Bank is working hard to follow the best international banking practices. It will make the rules for safe banking stronger and improve how it watches over banks. There will be more openness and sharing of information. In the future, banks are expected to help the economy grow and the new market will give many chances for businesses to grow. Managing people is becoming more important. As banking in India becomes more based on knowledge, people will become the most valuable part of the banking system. In the end, banking is about people, not just numbers. The Indian banking system has made big changes to fit into the new competitive business world. The Indian banking industry is going through a big change in technology. Technology has become a key part of the changes happening in the banking system, with the development of better tools and new ways of doing business.

### **Future Outlook**

Everyone agrees that technology will be the main driver of the future of banking.

The achievements in banking today would not have been possible without the IT revolution. So, when banks are changing to fit the new environment, they must understand the reasons behind the change and choose the right starting point. Even though banks are adopting technology quickly, most of the focus is on big cities and urban areas. The benefits of IT are still not reaching people living in rural areas. More programs and software in local languages should be introduced to bring more people from rural areas into the banking system. Standard messaging systems should be used more to handle transactions across different platforms. The extra workers created by IT should be used for promoting new banking services. Banks should also form a group of experts in different areas and technology to help with these changes.

### **Conclusion**

The Indian banking system will grow bigger and more complex, playing an important role in the country's economic growth and linking different parts of the financial sector.

It's clear that the future of Indian banking depends not only on changes happening inside the industry but also on global trends in finance. The Indian banking industry has shown strong resilience during tough times. This has led to a big change in the industry, moving from a seller's market to a buyer's market. This change has also affected how bankers work, shifting from "conventional banking" to "convenience banking" and from "mass banking" to "class banking." This shift has made it easier for ordinary people to get banking services for their different needs and requirements. By following strict safety rules, having higher capital standards, better risk management, using internationally accepted accounting practices, and increasing transparency, the Indian banking industry can keep up with other developed banking systems.

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