

# RECENT TRENDS AND DEVELOPMENTS IN THE BANKING SECTOR

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**Abstract-** Growth and diversification in banking sector has transcended limits all over the world. In 1991, the Government opened the doors for foreign banks to start their operations in India and provide their wide range of facilities, thereby providing a strong competition to the domestic banks, and helping the customers in availing the best of the services. The Reserve Bank in its bid to move towards the best international banking practices will further sharpen the prudential norms and strengthen its supervisor mechanism. There has been considerable innovation and diversification in the business of major commercial banks. In the present scenario cost efficiency viewed as an area of crucial significance for the banking industry's best practices for development. Recently, there is a visible swing in the ATM business of banks in India. There is opportunity for accessing banking products (ATM) to vulnerable groups living in the country. The Reserve Bank of India decided to license Non-Banking Finance Companies (NBFCs) incorporated under the Companies Act 2013 or any previous company law to offer their own ATMs known as WLAs (White Label ATMs). Brown Label ATMs (BLAs) are cost effective model of the banks i.e. outsourcing of ATM machines and services. The Brown Label ATMs are owned and operated by the service provider.

**Key words:** IMPS, BHIM, Cash deposit machines, WLAs, BLAs

## Introduction

Today, we are having a fairly well developed banking system with different classes of banks - public sector banks, foreign banks, private sector banks, regional rural banks and co-operative banks. The Reserve Bank of India (RBI) is at the paramount of all the banks. The RBI's most important goal is to maintain monetary stability (moderate and stable inflation) in India. The RBI uses monetary policy to maintain price stability and an adequate flow of credit. The rates used by RBI to achieve its objectives are MCLR, repo rate, reverse repo rate, the cash reserve ratio etc. Reducing inflation has been one of the most important goals for some time.

Growth and diversification in banking sector has transcended limits all over the world. In 1991, the Government opened the doors for foreign banks to start their operations in India and provide their wide range of facilities, thereby providing a strong competition to the domestic banks, and helping the customers in availing the best of the services. The Reserve Bank in its bid to move towards the best international banking practices will further sharpen the prudential norms and strengthen its supervisor mechanism. There has been considerable innovation and diversification in the business of major commercial banks. Some of them have engaged in the areas of consumer credit, credit cards, merchant banking, internet and phone banking, leasing, mutual funds etc. A few banks have already set up subsidiaries for merchant banking, leasing and mutual funds and many more are in the process of doing so. Some banks have commenced factoring business.

It is since more than a decade now, the Government of India taking several reforms and packages for developing the economy. The Government of India is taking certain measures and introduced innovative packages to ease out the financial transactions across the country. In the present scenario cost efficiency is viewed as an area of crucial significance for the banking industry's best practices for development. Recently, there is a visible swing in the ATM business of banks in India. There is an urgent opportunity for accessing banking products (ATM) to vulnerable groups living in the country. The Reserve Bank of India (RBI) decided to license Non-Banking Finance Companies (NBFCs) incorporated under the Companies Act 2013 or any previous company law to offer their own ATMs known as WLAs (White Label ATMs). Brown Label ATMs (BLAs) are cost effective model of the banks i.e. outsourcing of ATM machines and services. The Brown Label ATMs are owned and operated by the service provider.

## Technology enabled Services/Products:

### IMPS (Immediate Payment Service)

IMPS are an instant interbank electronic fund transfer service through mobile phone. It is also being extended through other channels such as ATM, Internet banking etc. Mobile Money Identification Number is a seven digit number of which the first of four digits are the unique identification number of the bank offering IMPS. Founded in 22<sup>nd</sup> November 2010 and it is managed by the National Payment Corporation of India and is built upon the existing National Financial Switch Network.

### BHIM (Bharat Interface for Money)

BHIM is a mobile app developed by National Payment Corporation of India, based on the Unified Payment Interface, the app supports all Indian banks which use that platform, which is built over the immediate payment service infrastructure and allows the use to instantly transfer money between bank accounts of any two parties. BHIM allow users to send or receive money to or from UPI payment addresses or to non-UPI based accounts. BHIM also allow users to check the current balance in their bank accounts and to choose which accounts to use for conducting transactions, although only one can be active at any time.

Users can create their own QR code for a fixed amount of money, which is helpful in merchant seller buyer transactions. Users can also have more than one payment address.

### **Internet Banking**

Internet banking enables a customer to do banking transactions through the bank's website on the Internet. It is a system of accessing accounts and general information on bank products and services through a computer while sitting in its office or home. This is also called virtual banking. It is more or less bringing the bank to your computer. In traditional banking one has to approach the branch in person, to withdraw cash or deposit a cheque or request a statement of accounts etc. but internet banking has changed the way of banking. Now everyone can operate all these type of transactions on his computer through website of bank. All such transactions are encrypted; using sophisticated multi-layered security architecture, including firewalls and filters. One can be rest assured that one's transactions are secure and confidential.

### **CDMs (Cash Deposit Machines)**

The Cash Deposit Machine (CDM) is a self-service terminal that lets you make deposits and payment transactions by cash. All successful transactions are immediately credited and customers will be issued an advice slip confirming the transaction. There is no restriction for cash deposit into an account with PAN card but any amount beyond Rs. 10,00,000/- (either single transaction or multiple transactions aggregating to Rs. 10 Lakhs in a financial year) has to be reported to Income tax department by the bank. The Cash Deposit Machine, better known as CDM is an ATM like machine that allows us to deposit cash directly into our account using the ATM cum debit card. We can use this machine to instantly credit our account without visiting the branch. The transaction receipt also gives updated account balance.

### **(ATM) Automated Teller Machine**

ATM is an electronic machine, which is operated by the customer himself to make deposits, withdrawals and other financial transactions. ATM is a step in improvement in customer service. ATM facility is available to the customer 24 hours a day. The customer is issued an ATM card. This is a plastic card, which bears the customer's name. This card is magnetically coded and can be read by this machine. Each card holder is provided with a secret personal identification number (PIN). When the customer wants to use the card, he has to insert his plastic card in the slot of the machine. After the card is recognized by the machine, the customer enters his personal identification number. After establishing the authentication of the customers, the ATM allows the customer to enter the amount to be withdrawn by him. After processing that transaction and finding sufficient balances in his account, the output slot of ATM give the required cash to him.

ATM is one of the developed innovative transaction facilities in banking after the introduction of new economic policy in India. The computerized machine is linked to the accounts and records of banking institutions. It enables the customers of banks to carry out lot of banking and other related transaction without visiting their banks. The banks investment activities in ATMs have been leveraged for delivery of a wide variety of banking and other value added services to customers across the banking industry.

### **WLAs and BLAs– AN OVERVIEW**

There is a visible shift in the way banks look at the ATM business. Access to financial services is one of the important social and economic challenges of modern-day. Keeping the fact in view that banks won't be able to provide their ATM facilities in each and every place, the RBI has granted in-principle approval to Non-banking entities to set up their own ATMs called as White Label ATMs (WLAs). The main object of this was to increase the geographical reach of ATMs, augment the customer service and to access the financial products available in the country to all vulnerable groups in the society. The introduction of WLAs services in India is an aid for achieving the objective of Financial Inclusion. RBI entails NBFC to install machines in the ratio of 3:1. i.e. the WLAs operators must install 3 ATMs in Tier III to Tier VI Center (semi-urban and rural area) and 1 in Tier I to Tier II (Metropolitan and urban). Out of the 3 WLAs installed in Tier III to Tier VI Centres, a minimum of 10% should be installed in Tier V and Tier VI Centres. The Census of India in 2011 had classified the places on the basis of population into Tier I to Tier VI Center. The classification reveals that Tier I Center is Metropolitan and Urban area which consist of population of 1 lakhs to 10 lakhs. Tier VI is a rural area which consists of population less than 5000.

White Label ATMs (WLAs) are popular in Canada. It aimed at inspiring millions of Indians with the convenience to access their own money with ease. WLAs are regulated under the Payment & Settlement Systems Act 2007 by the Reserve Bank of India. The said Act delivers the regulation and supervision of payments systems held in India and assigns the RBI as the authority for the above purpose. The first WLA was tossed under the brand name 'Indicash' on 27<sup>th</sup> June 2013. Tata communications Payment Solutions Ltd. is the first and foremost company approved by RBI to open WLAs in the nation. RBI has given license to more than fifteen NBFC which includes Prizm Payment Services, Muthoot Finance, Vakrangee, BTI Payments, Srei Infrastructure Finance, RiddiSiddhi Bullions Ltd., AGS etc.

A customer can transact WLAs services with the help of ATM-cum debit card, Credit cards and open prepaid card issued by any authorized bank. WLAs offers services like account information, mini statement, PIN (Personal Identification Number) Change, request for a cheque book etc. Some of the other important services are still not available in WLAs:

- Acceptance of deposit are not permitted
- Regular bill payments are not permitted
- Purchase of re-load vouchers for mobiles are not permitted

WLAs accept international cards and the facility of Dynamic Currency Conversion (DCC) for the use of international cards. WLAs will be restricted to converting the amount requested by the international cardholder to his home currency using a Base

Exchange rate. RBI has enabled delinking of cash supply from sponsor bank. WLAs operators now tie up with other commercial banks for cash supply at WLAs.

Brown Label ATMs are little different from banks owned ATMs. These ATM services are outsourced to a company, who manages, install and look after the ATMs. However, these ATMs have a logo of the Bank in it, that makes ATM is installed by the Bank. In Brown Label ATMs, hardware is owned by service provider. Cash management and network connectivity provided by sponsor bank. In view of the high cost of ATM machine and RBI's guidelines for expansion of ATMs, the concept of Brown Label ATM network is likely to expand at a brisk pace. In September, 2011 it was reported that Hughes Communications India Ltd set up 5000 Brown Label ATMs in India. Hughes, FIS, TSI, TCBIL, Diebold, AGS, Prizm, FSS and Euronet are major ATM vendors in the country.

### Conclusion

In the days to come, banks are expected to play a very useful role in the economic development and the emerging market will provide business opportunities to harness. As banking in India will become more and more knowledge supported, capital will emerge as the finest assets of the banking system. Ultimately banking is people and not just figures. The banking sector in India is progressing with the increased growth in customer base, due to the newly improved and innovative facilities offered by banks. The economic growth of the country is an indicator for the growth of the banking sector. The Indian economy is projected to grow at a rate of 5-6 per cent and the country's banking industry is expected to reflect this growth. The onus for this lies in the capabilities of the Reserve Bank of India as an able central regulatory authority, whose policies have shielded Indian banks from excessive leveraging and making high risk investments. By the government support and a careful re-evaluation of existing business strategies can set the stage for Indian banks to become bigger and stronger, thereby setting the stage for expansions into a global consumer base. Brown Label ATMs (BLAs) are cost effective model of the banks i.e. outsourcing of ATM machines and services. The Brown Label ATMs are owned and operated by the service provider. Currency management and connectivity to banking network is provided by a sponsor bank. The BLAs has come up as an alternative between Banks owned ATMs and White Label ATMs. The present movement of banks is to downsize the ATMs' cost tremendously.

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