

## **Innovative Banking Products in the Indian Banking Sector – A Study**

**\*Abdul Muntakim Khan**

*Assistant Professor, Department of MBA, Nalanda Institute of Technology (NIT),  
Bhubaneswar, Odisha, India – 751001*

**\*\*Dr. Manoj Kumar Sahoo**

*Professor, Department of MBA, Nalanda Institute of Technology (NIT),  
Bhubaneswar, Odisha, India – 751001*

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**Abstract:** The idea of innovation means to do something new. Innovation is the introduction of a new product or a new way of production or the opening of a new market or the defeat of a new supply chain or the launch of a new organization of any industry. India is an economy with a population of 1200 million and these 500 million trade with banks every day. In such a country, there was an urgent need to ensure investment and greater openness in the banking sector. This requires the adoption of new technologies and innovations in banking systems and better customer support. India's banking system affects the lives of millions and should be driven by social media and national priorities. Indian banks also introduce practices such as e-banking, application-focused payment services, e-pass documents, and the like. This paper discusses the history of Indian banking and additionally depicts new banking products used by Indian banks in the current dynamic business environment to strengthen the banking portfolio and growth of financial inclusion.

**Keywords:** Innovation, Banking, Technological Changes, financial inclusion

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### **Introduction:**

The Indian banking sector has seen many changes over the decades. Value creation is an important factor in the current era as the market is focused on consumers. Most banks have introduced new banking strategies to build value for customers and add more customers to their network. Since independence, Indian banks have undergone major changes over the years. The Indian banking sector has come a long way in terms of providing additional services and providing quality services. It is believed that the global financial crisis will seriously affect India's banking sector. However, due to the strong foundation of the Indian banking system and the support of a well-organized financial system, the impact of the global crisis was virtually negligible. Instead, it has helped banks to become more resilient and closer to the customers in new ways. Banks seem to be on the verge of achieving sustainability and longevity through innovation.

### **Review of Literature:**

The following is a brief review of literature done by different researchers worldwide in the area of innovation in the Indian banking sector.

Arora (2003) has in its research focused on the effect of banking transformation. The innovation of technology has a direct role in helping transactions in the banking sector, and the impact of this innovation in the banking sector has come with new products and services. Rishi and Saxena (2004) also contributed to the research into new technologies. The study agreed that technological advances in the banking sector in developed countries have been shown to increase productivity in the banking industry globally. Merton and Bodie (2005) researched fundraising as a support tool to ensure the efficient and effective operation of the system by reducing costs and reducing risk. It is not wrong to say that the establishment of finance has been a major driving force in operating a financial system with greater economic success. Sachan and Ali (2006) point out that the dissemination of information and communication technologies (ICT) has become an important means of technological progress, and general services, and in particular banks, are the main recipients of ICT investments. Strong evidence suggests that new technologies in banks will be the biggest in the economy. Hua's (2009) study focuses on the recognition of online banking in China by experimenting with the perception of consumers on online banking, whether the customer feels comfortable and secure while performing online financial transactions on the bank's website. Avasthi & Sharma (2001) emphasized the technological advancement that led to the transformation of banking attitudes. The researcher also talked about inefficient technologies, especially in terms of the banking supply chain in the retail banking sector, and explored the various challenges the banking industry initially faces. Janki's research (2002) highlights the great need to develop new technologies in India, especially in public sector banks to improve their efficiency and customer service. Therefore, the technology is

mainly made in customer service, product development, risk management, etc. The research concludes that technological innovation is the only tool to achieve the goals of sustainable economic development. Jalan (2010) focuses on his research especially on the whole evolution of IT that has transformed the entire banking industry. Probably no other sector has been as involved in technological development as the banking and financial sector. It has a very important feature to deal with the growing competition and the rapid explosion of the financial establishment.

From the above review, it can be noted that the banking industry itself has implemented various new schemes to improve their business and attract more customers. This has resulted in their sustainability and maintaining the reputation of their product even in a competitive environment. In addition, technology is one of the key components in the development of new ideas, and it has been noted that major changes have taken place in recent years.

### **Research Methodology:**

A study was conducted to measure the current state of the Indian banking sector. The whole paper is based on secondary data sources, e.g. various websites, research papers, working papers, IBA Bulletin, journals, etc.

### **Research Objectives:**

- 1) To investigate the history of the Indian banking sector.
- 2) To examine the various innovative products developed in the Indian banking sector.

### **History of Indian Banking Sector:**

Without a viable banking system in India, it cannot have a healthy economy. The banking system in India should not only be problematic but should be able to meet the new challenges from technology and any other external and internal object. Over the past three decades, the Indian banking system has had a few excellent operations. It is no longer limited to the big cities or the international community in India. India's banking system has reached even the most remote parts of the country. This is one of the main reasons for India's growth process. The general government policy of Indian banks since 1969 has brought many benefits to the government's inclusion of 14 major private banks in India. Not long ago, the account holder had to wait many hours at the bank counter to deposit or withdraw his own money. Gone are the days when an efficient bank transfers money from one branch to another within two days. Now it's as easy as sending an instant message or ordering a pizza. From 1786 to the present, the journey of the Indian banking system can be divided into three distinct stages. They are the first phase from 1786 to 1969 of Indian banks, phase 2 consists of nationalization of Indian banks and till 1991, and phase 3 covers the post-1991 banking reforms.

### **Innovative Indian Banking Products:**

In recent years the marketing features of the banking industry have become stronger, especially among new private companies and foreign banks. Retail Banking is well known for collecting deposits from individuals and providing them with loans in the form of home loans, car loans, credit cards, etc. Visionary and sensible banks are trying to undermine this market while having a series of new products, services, technologies, and marketing strategies have been added to their product basket.

Indian banks occasionally use these new business practices to develop the banking sector.

**1. Credit Cards:** In the credit card system, the holder buys goods or gets services anywhere without having to worry about carrying solid money in his or her pocket. Payment is made at the card-issuing bank. The credit limit is set for individual cardholders who can choose to allow a change at the request of the cardholder. They can make a full payment or pay the minimum amount claimed upon receipt of the account or monthly stated bill from the issuers. There are gold, silver, and classic/executive card. Cards vary in the number of additional features, services, and types of services offered by cardholders.

**2. International Card:** This is the latest in the market, which allows cardholders to use the card in any country including the country where the card was issued. It is possible to use any foreign currency and repay the loan in the form of local currency. The credit limit is based on BTQ (Basic Travel Quota).

**3. Payment Card:** Under this scheme, although the default credit limit is set for cardholders, the rotating facility is not allowed. Total use of the current payment must be complete within the specified date. The default is subject to additional payments.

**4. Debit Card:** All purchases are deducted online from the cardholder's account on these cards. Having an Internet connection on their network at merchant sites, such cards are issued only to those customers. It works as a replacement for cash for cardholders.

**5. Smart Card:** It is a prepaid card. It is the same with VCC (Virtual calling cards) and cash or SIM cards issued by mobile phone companies. In this program, the cardholder buys the card and uses it until it becomes zero. The card works with a secret PIN (Personal Identification Number) assigned to the cardholder. This card can be reloaded.

**6. ATMs:** Many public sector banks and almost all private sector banks have ATMs (Automated Teller Machines) installed in registered branches and extended counters where customers can withdraw cash 24 hours at a fixed limit. In addition to withdrawing cash, ATMs allow cash and cheque deposits. Several banks have now applied for ATMs on wheels and off-site ATMs for customer support.

**7. Mobile Banking:** Mobile banking is a new renaissance for customers. Most consumers have bank accounts, but they still rely on money for 90% to 95% of small purchases. Mobile payments will not only require changing the type of cash-based services but will also be of great help to those buyers in terms of universal access to finance.

**8. Investment in New Applications:** Banks should take steps to start investing in the updated version of mobile phones & bank applications. Further, investments must be made in advance in anticipation of three aspects of mobile banking - online mobile banking, acceptance of mobile phone payments at POS (point of sale), and mobile payments.

**9. Use of 3G Technology:** In addition, with the advent of 3G mobile phones in India there will be more opportunities for the delivery of rich services. Privileged customers can receive individual financial planning advice on their mobile devices from a centralized group of consultants.

**10. Net Banking:** Net banking means banking on the internet. Banking is now easier. Private Bank offers free online banking. Now the customers can do banking activities comfortably from bedroom or hotel room during holidays. Further, customers can check balance, make and stop payments, inquiry about cheque status, request for a cheque book, and access demat account. Online banking services offered such as include online tax payments, online payment of electricity and phone bills, online booking of train and air tickets, and online shopping also.

**11. Demat Account:** Demat account means dematerialisation account. Banks are providing online platforms for the online trading of shares. Banks are providing demat accounts by which they can buy and sell shares online and invest their money in the stock market. A customer can protect its shares, bonds, and securities from theft, loss, and damage if he or she has a demat account.

### **Conclusion:**

It is noteworthy that technology plays a key role in significantly improving banking and operational services. Significant developments in the evolution of new payment systems in India including access to card-based payments, debit card, credit card, Electronic Clearing Service (ECS,) real-time gross settlement (RTGS), NEFT (National Electronic Funds Transfer), Plan for implementation of cheque truncation system, upgrade payment app, etc. In short, the coming years in the Indian banking industry will not only be a change towards the 21st century but also marked by a dramatic change from the seller market to the consumer market and even most importantly from the local area to global operations.

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