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
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Recent Trends in Indian Banking System

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S. P. M. T. M. Art & Commerce College, Chikhli. Dis. Buldhana

Introduction:

The banking system is central to a nation's economy. Banks are special as they not only accept and deploy large amounts of uncollateralized public funds in a fiduciary capacity, but also leverage such funds through credit creation. India has a long history of both public and private banking. Banking in India originated in the last decades of the 18th century. The first banks were The General Bank of India, which started in 1786, and Bank of Hindustan, which started in 1790; both are now defunct. The oldest bank in existence in India is the State Bank of India, which originated from the Bank of Calcutta in June 1806, which almost immediately became the Bank of Bengal. This was one of the three Presidency Banks, the other two being the Bank of Bombay and the Bank of Madras, all three of which were established under Charters from the British East India Company. For many years the Presidency Banks acted as quasi-central banks, as did their successors. The three banks merged in 1921 to form the Imperial Bank of India, which, upon India's independence, became the State Bank of India in 1955

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financial sector liberalization have led to a transformation of the Indian banking sector over the past two decades. Asset quality and profitability have improved significantly and the system has become more commercially oriented. Indian banks were not much impacted by the financial crisis, helped by their relative isolation and some counter-cyclical measures implemented by the Reserve Bank of India in the mid-2000s, but asset quality deterioration led to some proactive loan restructuring. Over the past years Indian banks have encountered more headwinds as high inflation led to tightening monetary policy, putting pressure on borrowers, especially in weaker sectors. Funding and liquidity are relatively strong features of the Indian banking system as the loans/deposits ratio is under 80 percent and the banks are required to hold large amounts of Indian government bonds. Their access to off-shore funding is constrained by India's just investment grade sovereign rating. Capital is also adequate in aggregate but some banks, including large public sector banks, are in need of core capital. Developments in the field of information technology (IT) strongly support the growth and inclusiveness of the banking sector thereby facilitating inclusive economic growth. IT not only enhances the competitive efficiency of the banking sector by strengthening back-end administrative processes, it also improves the front-end operations and helps in bringing down the transaction costs for the customers. It has the potential of furthering financial inclusion by making small ticket retail transactions cheaper, easier and faster for the banking sector as well as for the small customers. The Reserve Bank has thus been actively involved in harnessing technology for the development of the Indian banking sector over the years. Information technology revolution in the Indian economy has made steady inroads into the banking institutions and has brought about a significant change in many aspects in the form of computerization of transactions and new delivery channels such as Internet Banking, Phone Banking, ATMs, EFT, ECS and EDI etc.. With migration of traditional paper-based funds movements to quicker and more efficient electronic mode, funds transfers have become easy and efficient to perform.

The most fundamental way in which technology has changed the face of the Indian banking sector has been through computerization. Entry of new private sector banks and foreign banks offering most modern technology banking has forced public sector banks (PSBs) to address computerization problems more seriously in recent years. The pace of computerization has remained slow even though opposition from staff unions has softened. The Central Vigilance Commission wants 100 percent computerization in Indian banks to check frauds, delays, etc. The general perception is that in recent years, the prime focus of bank computerization has been less on the number of branches computerized but more on better connectivity, say, between the head office and regional offices of a bank with select branches. These are usually banks that handle large corporate borrowing accounts on one side and those that are in high deposit zones, on the other. While the private sector banks have been upgrading technology simultaneously with branch expansion, many of the top PSBs have completed automating their branches in the urban areas. The next step to total branch automation is networking of these branches. A major problem PSBs have to face, once IT implementation reaches its optimum level, is staff retention. While the private sector banks have been recruiting trained and experienced IT professionals, it may not be possible for PSBs to do likewise. They will have to train their existing staff to function effectively in the new environment. And once the requisite skills are acquired by employees, they may have trouble retaining staff. PSBs can only allocate limited capital resources to computerization. Newly opened private sector banks, foreign banks, and a few other Indian banks have started Electronic Money activities, which open up business opportunities but carry risks that need to be recognized and managed prudently. The Basel Committee on Banking Supervision has raised issues of critical importance to banking authorities in this regard. There is no evidence that these aspects are being looked into in India, yet there is a need for auditing firms to be aware of this issue. Despite recapitalization, the overall performance of PSBs continues to lag behind those of private sector and foreign

banks. Questions of ownership, management, and governance are central to this issue. Under public ownership, it is almost impossible to draw a distinction between ownership responsibility and managerial duty.

A technological development closely related to computerization in bank branches is the adoption of the Core Banking Solutions. Core banking is a general term used to describe the services provided by a group of networking bank branches. Core banking consists of a networking process by which the servers of different branches of a bank are joined to a common server and henceforth an account holder may access, deposit, and withdraw money from his/her account from any of the branches of the bank. Bank customers may access their funds and other simple transactions from any of the member branch offices. Core banking systems are basically the heart of all systems running in a bank and it forms the core of the bank's IT platform. Amongst other functionalities, it provides the customer information management, central accounting and the transaction-processing functions, which by far are the most fundamental processes in a bank. Core banking solutions are banking applications on a platform enabling a phased, strategic approach that is intended to allow banks to improve operations, reduce costs, and be prepared for growth. Implementing a modular, component-based enterprise solution facilitates integration with a bank's existing technologies.

major technological development, which has revolutionized the delivery channel in the banking sector, has been the Automated Teller Machines (ATMs). It has gained prominence as a delivery channel for banking transactions in India. ATM means neither "avoids traveling with money" nor "any time money," but certainly implies both. Further, introduction of automated teller machines (ATMs) enabled customers to do banking without visiting the bank branch. The first bank to introduce the ATM concept in India was the Hong Kong and Shanghai Banking Corporation (HSBC) in the year 1987. Now, almost every commercial bank gives ATM facilities to its customers. SBI is following the concept of 'ATMs in Quantity'. The Corporation Bank has the second largest network of ATMs amongst the public sector banks in India. ATM is designed to perform the most important function of bank. Mobile phones as a medium for extending banking services have off-late been attaining greater significance. The rapid growth in users and wider coverage of mobile phone networks have made this medium an important platform for extending banking services to customers. With the rapid growth in the number of mobile phone subscribers in India (about 261 million as at the end of March 2008 and growing at about 8 million a month), banks have been exploring the feasibility of using mobile phones as an alternative channel of delivery of banking services. Some banks have started offering information based services like balance enquiry, stop payment instruction of cheques. Making banks more customer-friendly has been high on the agenda of the Reserve Bank. Accordingly, a number of steps have been taken towards enhancing financial literacy and strengthening channels of information dissemination relating to banking services to customers. A full-fledged Customer Service Department was set up in 2006 by the Reserve Bank to enhance the pace and quality of provision of customer services, while providing customers a forum for redressal of their grievance.

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Preliminary

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GROWTH OF ONLINE SHOPPING

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Introduction

Online shopping or e-shopping is a form of electronic commerce which allows consumers to directly buy goods or services from a seller over the Internet using a web browser. India is witnessing an unprecedented economic boom in service as well as goods industry and this economic boom is visible all around us. Companies are facing a tough competition in this dynamic arena of business. They are always looking for new avenues so that they can increase contact with consumers and to achieve this aim they are letting no stone unturned. Due to increased awareness, employment and increased per capita income of Indian consumers there has been an exponential rise in consumer spending. Experiencing the convenience of avoiding travelling to shop and the time saved in bargain hunting are adding advantage and craze for online shopping. Almost all portals offer an easy return policy, so even apparel shopping is seen gaining momentum as buyers are no longer worried about being stuck with the wrong size or fit of clothing. Cash on delivery is also giving sense of security to Indian consumers. With the universal availability of Internet connectivity, consumers save time and efforts by shopping online. The increasing use of Internet by the younger generation in India provides an emerging prospect for online retailers. There is a common saying about the Indian retail consumers' "can't touch, won't buy" mentality. However, this is gradually changing with the rising trend of online shopping.

Current scenario of online shopping in India

The year 1991 noted a new chapter in the history of the online world where e-commerce became a hot choice amongst the commercial use of the internet. At that time nobody would have even thought that the buying and selling online or say the online trading will become a trend in the world and India will also share a good proportion of this success. Now consumer

mentality and shopping patterns is changing very fast. Earlier online shopping was a simple medium for shopping with fewer options. The users can just place an order and pay cash on delivery. But, now with the changing face of online market this field has been renovated to a high extent and hence mesmerized many customers. Today, the online shopping has become a trend in India and the reason behind the adoption of this technique lies in the attractive online websites, user friendly interface, bulky online stores with new fashion, easy payment methods and cash-on-delivery, no bound on quantity & quality, one can choose the items based on size, color, price, etc. Despite being a developing country, India has shown a commendable increase in the ecommerce industry in the last couple of years, thereby hitting the market with a boom. Though the Indian online market is far behind the US and the UK, it has been growing at a fast pace.

Further, the addition of discounts, coupons, offers, referral systems, 30 days return guarantee, 1-7 days delivery time, etc. to the online shopping and the E-Market have added new flavors to the industry.

SWOT analysis of online shopping in India:

Strengths Boundary less (global location)

- 1) Time saving
- 2) No time constraints
- 3) Direct communication with consumer
- 4) Simple and easier exchange of information
- 5) Lowers transaction cost
- 6) Easy arrangement of products
- 7) No physical company set up
- 8) Easy transactions
- 9) Niche products
- 10) Low operating cost
- 11) Time saving
- 12) Weaknesses and other

o Security o Fake websites o Fraud o Fewer discounts and bargaining o Long delivery timing o No idea about quality and physical condition Of The product o Limitation of

products o Lack of personal services o More shipping cost o Limited exposure o Limited advertising o Customer's Satisfaction

Opportunities

o Changing trends o New technologies o Global expansion o High availability (24 hour and seven days a week) o Wide business growth o Cut down on local competition o Advertising

Threats

o Competitors o Changes in environment, law and regulations o Innovation o Privacy concerns
o Fraud
o Risk

Conclusions

The future of E-Commerce is difficult to predict. There are various segments that would grow in the future like: Travel and Tourism, electronic appliances, hardware products and apparel. There are also some essential factors which will significantly contribute to the boom of the ECommerce industry in India i.e. replacement guarantee, M-Commerce services, location based services, multiple payment option, right content, shipment option, legal

requirement of generating invoices for online transactions, quick Service, T & C should be clear & realistic, the product quality should be same as shown on the portal, dedicated 24/7 customer care centre should be there. Wholesalers can take advantage of E-Commerce who are capable of establishing contractors with reputed producers and linking their business with the on-line. Producers can also linking themselves with on-line, by giving better information about their products to the other links in the business chain and by a having a brand identity. On the behalf of above said reports and experts view showed that the future of e-commerce in India would be bright in the upcoming years if all essential factors would be implemented.

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