

BANKING PAYMENT SERVICES INNOVATIONS: A KEY TO ECONOMIC GROWTH

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ABSTRACT

Innovations have always adorned the human life. In this world of competition for the survival of the fittest it has become the mantra for growth and development. The advent of digitization in marketing of banking sector services has led to service differentiated technological changes. These banking sector services incorporate the traits and practices that are comfortable with a faster pace of innovations and digitalization. Payment innovations are one of the resultants of technological advantage and higher customer expectations. Payment innovation trends in association with Internet of things (IOT), points of sales (POS), mobile wallets, crypto currencies and the block chains has become a new center for customer delivery mechanism. The paper deals with the various innovative and dynamic payment services in banking sector that enhance customer satisfaction. It further deals with various factors that contribute to the economic growth and offer suggestions towards improved services.

KEYWORDS: *banking services, innovations, digitalization, payment services, technological changes.*

INTRODUCTION

Service sector plays a prominent role in Indian economy contributing 54.3% to GDP (economic survey 2018-19) and banking services constitutes 7.7%(Quora.com) of it. Banking sector is experiencing huge transformation due to change in consumers need, behavior, knowledge and competition and is now ripe for innovational disruption through financial technological advancements. Banking activities are part and parcel of our day to day life. It includes different services like deposit, transfer, payment and other auxiliary services. With the growth and advancement in electronic banking there has been transformation in handling of these banking services and digitalization has automated the delivery of these banking services by providing anytime anywhere services.

Nothing is permanent in this world accept the transformations, the change is the only thing which is constant in the world. The world is transforming since ages and will continue to revitalize the life of people as change is the rule of nature. In the past few years the changes in the digital technologies has accelerated the growth of Indian economy by enhancing the access to all dimensions of market and public services. It is not only propelling India to lead the world by leveraging the technological advancement and innovations

but also contributing in making India reluctant in becoming one of the fastest growing economy with high pace of digitization and innovation explosions.

The pillars of growth of New India are economic opportunity, holistic development and digital infrastructure (June 26 2018 India times). There are two terms 'Digitization' and 'Digitalization' which seems to be similar but are not the same digitization is more related to conversion of all our data into digital format (bit format) and digitalization is use of different technologies or methods to change the business process.

Digitalization started in India with advent of New Economic Policies (Liberalization, Privatization and Globalization) in 1991 but it got its popularity in July 2015 with the 'Digital India' campaign started by PM Narendra Modi with a motto power to empower the people and economy of India with technology. Fintech is one of the technologies driven innovation in the field of delivery of financial services.

Financial technology is commonly referred as Fintech. It aims to compete with traditional financial methods of financial services delivery and uses technologies to improve financial activities. The use of smart phones for mobile banking, investing services and cryptocurrency are few examples of fintech services. With the advancement of fintech Indian economy amidst a systematic change in business operations and transformations in banking institution and skillfully mastering now in inspiring digitalization.

The word Fintech emerged in 21st century and was first time used in 1980s by Peter Knight. "This term was initially applied to the technology employed at the back-end system of established financial institution." (Investopedia.com) Presently it is being used by banking institutions to operate at lower cost and reduce the reliance on legacy system to retain their customers and meet their values.

DIGITALIZATION IN BANKING

Digital banking is not a new concept to the electronic banking, earlier it was referred to as internet banking or e-banking which was more indirect way of banking through ATMs and mobile-banking and covered only basic banking services. Digitalization in banking is a wider concept covering all possible aspects of services and channels of banking in from of Point of Purchase (POPs), e-wallet, cryptocurrency, blockchains etc. which is now serving as a direct channel of banking.

Many economic innovations, debit and credit cards, RTGS and mobile banking, etc. have completely changed the face of banking sector and eased up the task of customers through anytime anywhere facilities. It has resulted in paradigm shift from the seller's market to buyer's market the changed approach from "conventional banking to convenience banking" and from "mass banking to class banking". This shift

augmented contribution of e-banking as preferred mode of banking and leading to digital and cashless economy.

The popularization of digitalization began after the reforms of New Economic Policies in 1991 but got its pace with demonetization in November 2016. BJP government in order to have control on black money and maintain transparency in the monetary transactions carried out demonetization which led to shortage of currency notes (500 and 1000 rupees notes) in circulation due to which people had to face payment problems. The motive of government was not only to maintain transparency in banking operations but to promote digital and cashless transactions habits among the people which led to disruptions of various digital transaction platforms and mobile applications to carry out banking transactions like Paytm, BHIM app, Phone pay, Goggle pay etc. During this period UPIs, e-wallets, cryptocurrencies were started and became popular with the people. Online transactions and applications are being used by customer to ease with banking operations. Thus, digitalization led to dynamic payment innovations.

PAYEMENT INNOVATIONS

The change in consumer expectations and technological innovations has led advances in traditional financial institutions and introduction of Fintech to payment services. Payment service innovations evolution started with few specific services and now has revitalized the entire consumer driven services. All banks have equal access to payment service innovations and technologies the differentiation can only be created in the mode of delivery of data technology and the dynamics of how and where we pay and receive payments. Payment innovation trends occurs in concomitance with the Internet of Things (IoT), Point of Sales (POS), mobile wallets, cryptocurrencies and the blockchains. The organization capable of processing these vast amount of payment data as to serve at the best value of customers in future.

- **Internet of Things (IOT):** It is a concept of connecting any physical object internet i.e. a system of interrelated computing devices, mechanical and digital machines, objects, animals, or people that are provided with unique identifiers (UIDs) and the ability to transfer data over network without ability to transfer data over network without human or computer interactions. In simple words with the internet of things, the physical world is becoming one big information system.
- **Point of Sales (POS):** is popularly known as swipe machines where customers carry out their payment actions instantly at point of sale or purchase. Here the payment transactions are performed using token (a unique alternate code) instead of actual card data being sought or captured at the sales terminal which enhances the safety and security of the card transactions.
- **Mobile Wallets:** it is a virtual wallet where customers can store the payment card information and can use as and when required with the help of different payment and transfer apps available in mobile play

stores. It is also known as mobile money. These are more popular now a days as it does not require any real wallet to be carried throughout you can use it anywhere anytime with quick access and high security.

- **Cryptocurrencies:** It is a digital asset which acts as a medium of exchange which have the quality that they cannot be double spent i.e. can be used once and can be used in the place of fiat money for exchange. It uses cryptographic functions to carry out financial transactions.
- **Blockchains:** It could be said in commercial terms as ‘a decentralized, distributed ledger that records the provenance of a digital asset’. It is a chain of blocks that contain data or information maintaining safety and authenticity of the transactions.
- **EVM (Europay, Mastercard, Visa) Chip Cards:** It is the global standard for chip-based debit and credit card transactions. Earlier the magnetic stripes cards Ru-Pay, Visa, Mastercard are being used which are to be replaced with EVM chip cards as to ensure safety of ATMs transactions with EVM chip and pin base processing.
- **National Electronic Fund Transfer (NEFT):** is payment system facilitating one to one transfer nation -wide. Here the transfer of funds takes place electronically from one account to another through internet banking, mobile app and other electronic applications.
- **Immediate Payment Services (IMPS):** this helps in easy access to bank accounts and instant transfer of funds. A digital service serving ‘anytime anywhere’ objectives of the banking.
- **Real Time Gross Settlement (RTGS):** here the transaction processing is done on instruction basis. It is primarily meant for large value transactions.

REVIEW OF LITERATURE

Jaideep. (2018) in his study of ‘*E banking Services and customer satisfaction a study of Indian and Foreign banks*’ concluded that today’s era is internet and digital era. The Indian banks have to implement the e-banking facilities to compete with foreign banks, which will be beneficial to both banks and the customers. Thus, banks required to be aware and updated to continuous and automated core banking facilities to meet the needs of customers.

Sachdeva, Kanika. (2017) in his research paper ‘*A study of impact of E-Banking on the performance of Nationalized banks.*’ Concluded that E-Banking has enabled the major part of population to access to various banking services of banks and their performance had a major impact on the growth of the economy. The paper indicated the positive growth of banking services during e-banking period. Also there was an increase in productivity and efficiency of banks with increase in adoption rate of new technological innovations as compared to previous years.

Veerappa, Sumitra, Annigeri.(2015) in her study '*Service Marketing in commercial banks during open regime.*' concluded that banks should motivate their customers to use new age banking services as a majority of them are unaware of modern banking services. Thus, more focus was on the needs of the young generation and quality of services of the banks to achieve highly satisfied customer base.

Clement. Achimba, Jared. Ongonga, Samson. Naarondia, Amembah.Amos, Michael.Okwara . (2014) in their paper '*Innovation in Banking Industry: Achieving Customer Satisfaction.*' concluded that present economic environment is competitive as customers are more aware about the market offerings and have variety of choices available to them. Thus, technology can help the companies to compete in the market as it is playing vital role in process of customer relationship management. Hence need was felt to adopt consistent relationship culture as to update with market and consumer changes.

Christian, Sejalben, Ravikant.(2012) in his research paper on '*An empirical study of Innovative Technology used for Marketing Services by selected Private Sector Banks of Anand and Baroda district.*' found that private sectors banks used more innovative and technology base product and services like ATM, At par cheque, net banking, phone banking, debit cards and credit cards and most of the users were young customers from these districts. It also recommended that innovative technology should be promoted as it is beneficial for both banks and the customers to have quick access to information and services.

M, Sree Sakthi Velan. (2011) in his paper on '*E banking practices in selected Scheduled Commercial Banks.*' concluded that e-banking is very crucial for India in increasing the computer literacy. Banks should mandatory or voluntarily use these e- banking or mobile Banking technologies to meet the customer expectations and to compete efficiently and effectively in the marketplace.

Shankar, Sumitra. (2006) in her paper on '*Study of Marketing of Services in India during post liberalization period with special reference to ICICI Bank and HDFC Bank.*' concluded that private sector banks are more efficient and innovative in delivery of customer services than public sector banks also there has been change in customers behavior with increase in awareness. Thus, continuous improvement is required for customer services, products and delivery mechanism as cost of acquiring new customer is higher than the cost of retaining the existing one.

OBJECTIVES OF STUDY

- To study the innovative and dynamic payment services in banking sector.
- To study the enhanced customer satisfaction by banking services.
- To study the various factors contributing towards economic growth.
- To suggest few recommendations

RESEARCH DESIGN

The study is descriptive in nature based on qualitative, quantitative and conceptual designs.

RESEARCH METHODOLOGY

In order to investigate the objectives of the study secondary data has been used. RBI reports, published articles, census, survey reports, newspapers, journal, government white papers, government portals etc. has been referred for providing better understanding to the study.

STATISTICS USED

Measures of central tendencies (mean, median, mode) and percentage has been used for the purpose of study and at arriving conclusions. Graphical tools are be used for better presentation, comparisons and analysis of data.

ANALYSIS AND INTERPRETATION

The study shows that Reserve Bank of India is now not only ensuring payment system which is safe and secure but also is efficient, fast and affordable with innovation, cybersecurity, financial inclusion, customer protection and competition empowering the vision of 'highly digital' and 'cash-lite' society by 2021. Providing access to e-payment to every citizen without compromising with the safety of transactions. It has been continuously efforts for the development of efficient and secured payment system with main focus on making availability of user- friendly platforms which are affordable and accessible for each one.

The table below depicts the data of last five years regarding the use of payment systems as per the data published by RBI in its annual reports;

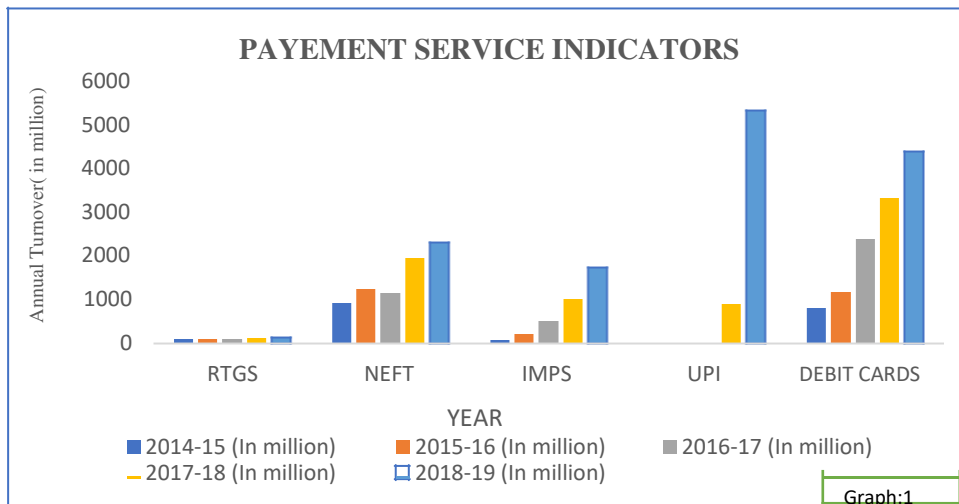
Table 1: Payment System Indicators – Annual Turnover

Payment System Indicators – Annual Turnover					
ITEMS	2014-15	2015-16	2016-17	2017-18	2018-19
	(In million)	(In million)	(In million)	(In million)	(In million)
RTGS	92.8	98.3	107.8	124.4	136.6
NEFT	927.6	1,252.9	1,162.1	1,946.4	2,318.9

IMPS	78.4	220.8	506.7	1,009.8	1,752.9
UPI	-	-	17.9	915.2	5,353.4
DEBIT CARDS	808.1	1,173.5	2,399.3	3,343.4	4,414.3

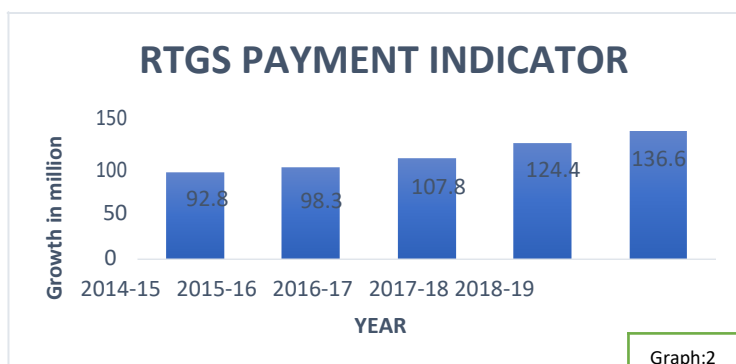
Source: RBI annual reports of years 2014,2015,2016,2017,2018.

Graph1: Annual growth in the payment service indicators



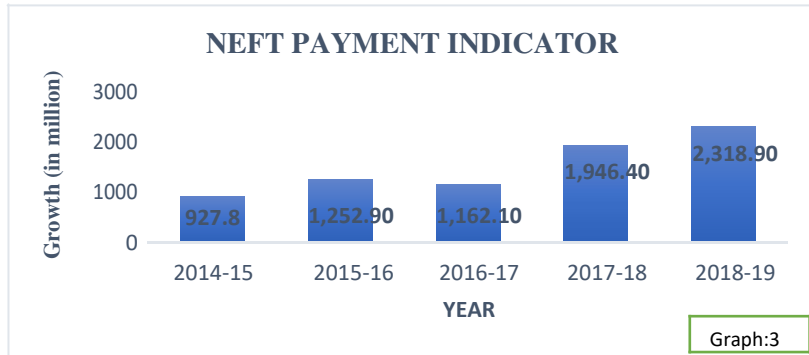
INTERPRETATIONS

Real Time Gross Settlement (RTGS)



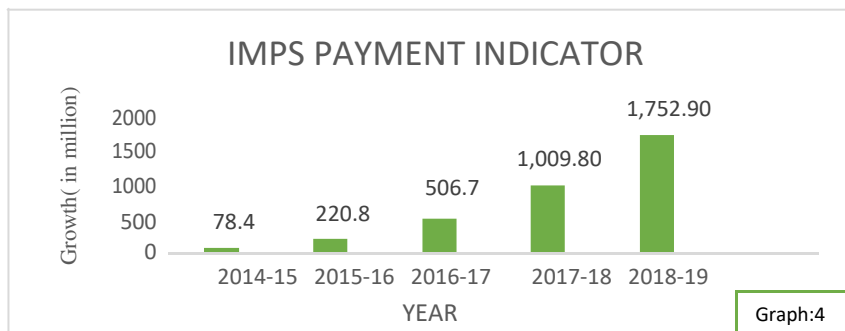
Graph... 2 exhibits payment through RTGS. The data shows that there has been steady increase in the payment through RTGS which was 92.8 million in 2014-15, 98.3 million in 2015-16 and 136.6 million in 2018-19 acknowledging overall growth of 7.8% in the last five years. The above analysis shows that there has been gradual growth in RTGS users during 2016-17 (19% growth) due to demonetization. Government efforts is required for the promoting RTGS users in rural areas by making it economical for them so as they can also contribute to the economic growth.

National Electronic Funds transfer (NEFT)



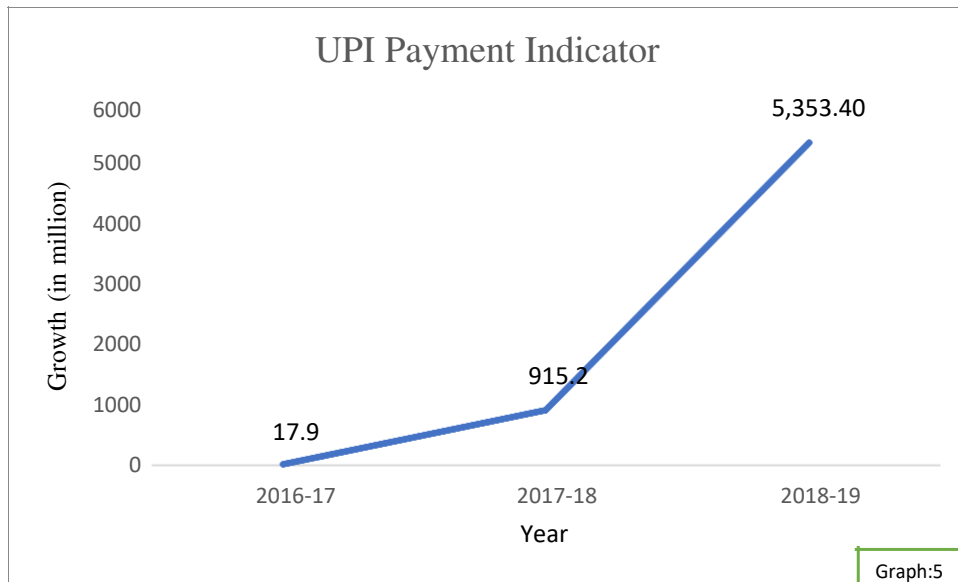
Graph ...3 shows data regarding NEFT. NEFT system handled 2.3 billion transactions valued 228 trillion in 2018-19, up from 1.9 billion transactions valued at 172 trillion in previous year, registering a growth of 19.1% in terms of volume and 32.3% in terms of value. At the end of march 2019, NEFT facility was available in 1,44,929 branches of 209 banks (RBI Report2018-19). There has been overall 18.28% growth in this payment services due to the popularization of online transactions and payments amongst the people.

Imidiate Payment Service(IMPS)



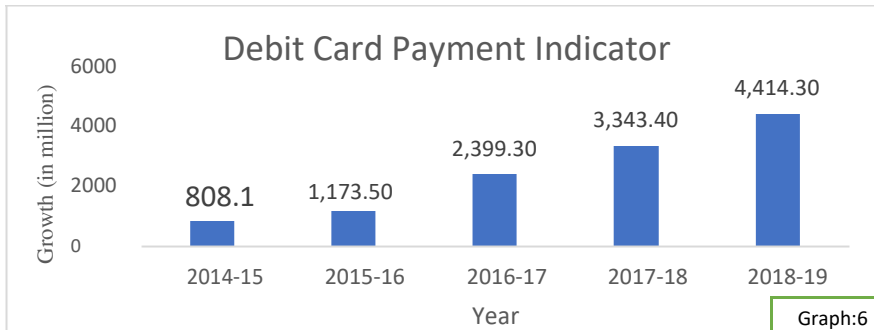
Graph...4 shows that there has been tremendous growth in IMPS payment services it was 78.4 million in 2014-15, 220.8 million in 2015-16 and 1752.9 in 2018-19 (46.92%) increase in services by 1,673.9 million was seen. The reason for such high pace of growth was the demonitization during year 2016-17 and promotion of digital banking platforms by the government. Since during demonitization period cash currency were not available freely so the immediate payment systems were preferred for carrying out the day to day transactions.

Unified Payment Interface (UPI)



Graph...5 shows the data regarding of payment through UPI. It was introduced in 2016-17 (17.9 million) with aim to promote cashless and online payment system. There has been huge growth (5,353.4 million in 2018-19) in this type of payment system approx. 84.87% during 2016-17 to 2018-19. The growth in UPI transactions has been in complementry with increase in different mobile applications and e-wallets and is presently getting popularity at higher pace. It has huge scope in future for the payment as it provide one time unique identity code for each transactions which ensure high level of safety and security to the users. UPI applications are not only being used in urban areas but has also gained its popularity in rural areas as they find it eased in doing banking transactions. Thus, there is a need to motivate rural population for digital banking through digital literacy.

Debit Card



Graph...6 shows the use of debit cards which has registered increasing use by the customer with the introduction of economical internet services and mobile banking. The number of customers using cards can be analysed through the use of cards at ATMs and Point of Sale. As in december 2014 ATM transactions were 1,897,693.28 million rupees and POS transactions were 111,006.57 million rupees which increased to 3,139,013 million rupees and 530,214 million rupees (ATM and Card statistics RBI Report). Thus there has been increase in use of debit cards at point of sale as they ensure anytime any where cashless payment services.

The debit card turnover recorded gradual growth during 2016-17 (approx 10%) with demonitization for carrying out cashless transactions and is now has accomplished 29.7% (2018-19) overall growth.

SUGGESTIONS

- For improved payment services there is dire need to create more customers awareness regarding digital payments and increase digital literacy amongst them as most of the customers are not technology friendly so must be educated and made aware about benefits of online and cashless transactions
- Bank needs to provide easy and user-friendly applications to increase digital payment innovations system not only in urban areas but also in rural areas.
- For increasing its adaptability by rural masses, economical payment systems should be introduced.
- Banks need to assure and enhance customers safety and security regarding banking transactions, as cyber security is one of the important and serious issue faced by customers while doing digital transactions. Thus, there is the need to ensure safety of the online transactions which is the most important concern for the people. Stringent laws should be made and the defaulters should be punished to make people feel confident in using e-banking services.

CONCLUSION

The study shows that with increase in digitalization there has been increasingly use of digital payment practices and portals. Digitalization has increased standard of banking services and given thrust to economic growth and development. Technical innovations have led to high rate of commitment to customer centric value delivery mechanism resulting in centration of customer towards digital transactions. Which will not only strengthen the pace of economic growth and development of the nation but also increase the standard of living of the people. Hence, it is a key to economic growth and development of the nation.

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