

Emerging Changes in the Bank Transactional Modes in The Contemporary India



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Abstract

As in other fields, in the field of banking too changes are occurring fast keeping in view the demands of the customers all over the world. In order to ensure the interdependence of banking and the common man, everyday new technologies in the banking sector are being adopted and launched. The sole objective of all this is to provide optimum satisfaction to the customers. Once there was a time when there would be very few nationalized banks. Now with the entry of the foreign and private banks, the scenario is all changed.

The banking sector of India is one of the biggest and most useful sectors. It aims at facilitating the financial management of the common man at large. It enables the people to deposit money with both the private and the nationalized banks through several plans of fixed deposit; to withdraw money; to transfer the money directly or through draft or cheque to the account of any other person residing in any part of the world, and to make and receive any type of payment.

History witnesses that transactional modes in banking were changed from time to time. At the initial stage the transactions were made only through the paper and pen mode, and the physical presence of the customer for verification was mandatory. The customer had to wait for hours for his turn just because of the limited number of banks. Then came the time when with the increased number of banks, the customer was at liberty to open his account with any bank. However, now there is a revolutionary change in the transactional modes and patterns. Internet has facilitated incredibly. Now even without visiting the bank, he is capable of maintaining his accounts, deposit and withdraw, make any small or big payments, get his seats booked, make online shopping, and can within no time use ATM for withdrawal of money.

The paper which is based on the secondary data and personal observation of the scholar, aims at producing the scenario of the banking sector in India focusing in particular the emerging changes in the modes and patterns in the transactions.

Keywords: Transition, Sector, Transactional Modes, Cyber crime, Fraud, Digital India, Campaign.

Introduction

The role of the Reserve Bank of India in encouraging alternative methods of payments with an assurance of security and efficiency to the payments system and in making the whole process easier for banks, is so conspicuous. The Indian banking sector is on a constant move towards success, innovating and trying to adopt and implement electronic payments to enhance the banking system.

The paper-based transactions which seems to have dominated in India for a very long time, seems to have been replaced by e-payments which are made by a majority of the people, and particularly, by the educated living in the urban space. Ever since the introduction of e-payments in India, the banking sector has witnessed an incredible growth. Obviously, it is just as a result of advances in technology and increasing consumer awareness of the ease and efficiency of internet and mobile transactions.

With the access of the common man to internet and android phone, the behavioral patterns of Indian customers are changing fast. However these statistical indications are far from the reality where customers still prefer to pay "in line" rather than online, with 63% payments still being made in cash. The trend of the online payments and the adoption

of the other transactional modes can be seen in the fact that now about more than 60% Indian customers use ATM, and over 75% of all transaction volume are in the electronic mode, including both large-value and retail payments.

The Digital India Campaign started by Honorable Prime Minister has added a lot to the bank transactional modes. Some of the modes of cashless transactions like cheque and draft have long been there. In addition to cheques and drafts, there are now many other modern transactional modes. Some of them are as follows-

NEFT or RTGS

It is the simplest method for the cashless transaction is online transfer using NEFT or RTGS. One can avail this facility of online transfer provided one has internet banking facility. Through modd, online transfer can be done from anywhere using internet facility.

Credit Card or Debit Card

It is another popular banking transactional mode which is adopted for cashless payment. Demonetization has made this transactional mode more and more popular. At present both the debit card and the credit card in use, and a large number of people in India know how to use them.

E-Wallet

E-Wallet is one of the popular cashless payment options in India which is used to purchase products starting from grocery to airline tickets. The use of E-Wallet can be possible provided both the customer and the dealer or merchant have a smart phone with active internet connection.

Mobile Wallets

The next cashless payment method is a mobile wallet. The use of Mobile Wallets does not require any debit card or credit card or internet password for making payment. It can be possible just by loading money in the wallet via IMPS and can be used while on move. Paytm, PayUmoney, MobiKwik, etc. are some of the examples of Mobile Wallets that can be downloaded any time through playstore.

UPI Apps

It is a mobile payment system which allows us to do various financial transactions on our smartphone, and to send or receive money using virtual payment address without entering bank information. The examples of few UPI Apps are SBI Pay, Union Bank UPI App, Phonepe, etc.

Gift Card

Gift Card is another cashless transactional mode. Gift card is a readymade card and can be purchased from a merchant or from the bank. It enables a person to shop anything from the vendors.

Aadhaar Enabled Payment System

It is one of the best cashless payment methods. AEPS is like Micro ATM it uses smartphone and a finger-print scanner for the transaction. The transaction through it is possible if the Aadhar card is linked to the bank account. In order to perform transactions like Aadhar to Aadhaar fund transfer, Cash withdrawn, Cash deposit, etc. it can be adopted and used.

OBJECTIVES OF THE STUDY

The study was made with the following specific objectives-

1. To highlight the growing dependence of man on the banks
2. To explore the various causes that is increasing the dependence of man on banks
3. To produce a historical perspective of the transactional modes
4. To create the scenario of the banks in the rural and the urban area
5. To reflect the various transactional modes in practice among the people
6. To be familiar and interpret the various types of transactional modes being adopted by the urban folk
7. To be familiar and interpret the various types of transactional modes being adopted by the rural folk
8. To focus the emerging changes in the transactional modes
9. To point out the causes of the changes that are emerging in the transactional modes
10. To interpret the positive and the negative effects of the various bank transactional modes in practice

Review of Literature

The following Indian and foreign studies relating to the selected theme were selected to be studied thoroughly with a view to making review of literature-

Balbinder Singh and Pooja Malhotra (2004) in their jointly prepared paper entitled Adoption of Internet Banking: An Empirical Investigation of Indian Banking Sector find out that only 17 percent of scheduled commercial banks offered Internet banking in the first quarter (Q1) of 2004; 48 percent of banks offered internet banking, however only 15 percent offered fully transactional internet banking; internet banks in foreign sector are more profitable than non-Internet banks; the impact of internet banking is significant in case of private sector banks only; most of the growth in Internet banking in India is due to private sector and foreign banks operating in India.

Oliver Wyman (2008) in the book entitled The Future of Transaction Banking- Trade Finance observes that globally, the trade finance market is worth \$18 BN, of which more than 60% is accounted for by traditional trade products such as letters of credit (L/C) or confirmations. Supply chain finance solutions and structured trade finance products such as commodity trade finance now account for more than a third of the revenue pool, up from less than 20% back in 2000. The market for trade finance services is very concentrated, with the top five institutions accounting for almost 40% of the revenue pool. Most of these banks have a strong footprint in Asia, allowing them to capture both sides of a trade, which is ultimately reflected in both a higher revenue growth and higher efficiency in operations.

D. S. Rawat (2015) in Current Fraud Trends in the Financial Sector discusses that in today's volatile economic environment, the opportunity and incentive to commit frauds have both increased.

Shrinkhla Ek Shodhparak Vaicharik Patrika

Instances of asset misappropriation, money laundering, cybercrime and accounting fraud are only increasing by the day. With changes in technology, frauds have taken the shape and modalities of organised crime, deploying increasingly sophisticated methods of perpetration. As financial transactions become increasingly technology-driven, they seem to have become the weapon of choice when it comes to fraudsters.

Patrick Bolton, Xavier Freixas, Leonardo Gambacorta and Paolo Emilio Mistrulli (2016) in their study entitled Relationship and Transaction Lending in a Crisis observe that because of the services they provide, operating costs of relationship banks are higher than those of transaction banks. Relationship banks charge a higher intermediation spread in normal times, but offer continuation lending at more favourable terms than transaction banks to profitable firms in a crisis.

The Institute of Cost Accountants of India (2017) in Indian Banking Sector in Transition observes that the landscape of India's financial sector is changing widely. Banking adopting differentiated channels and technology could enable a multi-fold increase of reach in rural and remote areas. Coupled with the emergence of a new class of bank, the Small and Payments Banks, one of the biggest impacts of technology adoption is rapidly accelerating financial inclusion by making last-mile access more cost effective and is expanding the reach of banking to the unbanked. The banking industry today is in a state of flux, with multiple technology, regulatory, and demographic factors cutting across the length and breadth of the value chain. These factors are impacting the way banks conduct their business, as the traditional banking methods are not enough to meet increasing customer expectations and improve profitability.

The Economic Times (2017) under the head How Indians are paying their bills post note ban reports that most users of mid-range smartphones and above prefer a digital mode of payment; Indians still prefer to continue with debit cards and mobile wallets for making payments; debit or credit cards continue to be the most preferred mode of payment for 45% of sample base; mobile wallets as an option are at No. 2 for 31%; only 9% preferred cash as a mode of payment; 94% intend to continue using cashless modes of payment even when currency notes get easily available; not all vendors accept cards and 57% cite the cause of additional surcharge; 29% consider fingerprint scan for authentication most secure in keeping transactions through smartphones secure.

Ramya N., M. Nadhini and D. Sivasakthi (2017) in their study Cashless transaction: Modes, advantages and disadvantages conclude that with limited cash in hand and an indefinite crunch in sight, most people are rushing to cashless transactions. Digital transactions bring in better transparency, scalability and accountability. Everyone from the neighborhood vegetable vendor to the chai and bhelpuri-wala is embracing digital payment solutions to tide over the cash crunch. The findings reveal that

while people are getting comfortable with cashless payments, some mindset issues are holding back many from embracing the newer platforms. The findings also suggest that the usage habits of those who have taken to cashless modes could be exposing them to security threats.

Morten Bech, Umar Faruqi, Frederik Ougaard and Cristina Picillo (2018) discuss that retail payment systems continue to become faster and more convenient. Yet, despite increased use of electronic payments around the world, there is scant evidence of a shift away from cash. As the appetite for cash remains unabated, few societies are close to "cashless" or even "lesscash". In fact, demand for cash has risen in most advanced economies since the start of the Great Financial Crisis. Many types of payment usually done with cash are going electronic. In Denmark, for example, church collection boxes and street performers now accept mobile payments. In China, fast food can be bought using "smile to pay" facial recognition technology. In the United States, college students pay for pizza and beers using apps that broadcast the purchases to their social media friends.

Hypothesis

The hypotheses that formed the basis of the present study and that helped the scholar go ahead successfully paving the path for research were as follows-

1. Man is conscious of himself and wants his future to be safe and secure through savings
2. There are several modes of saving and investment
3. Bank is the safest place and agency of saving
4. With the passage of time the dependence of man on banks is increasing
5. Banks are helpful in the management of the financial affairs
6. The banking transactional modes have undergone several changes
7. The scenario in the banks working in the rural area and in those working in the urban space is different
8. The ongoing bank transactional modes are different from the traditional ones
9. There are several effective transactional modes that help the modern man transfer and receive money
10. The modern transactional modes have both positive and negative effects

Methodology

The method adopted for the purpose of the present study includes- selection of the topic, searching the various sources of secondary data, finding several studies on the related theme, categorization of the studies under the heads like Indian studies and the studies carried out abroad, selection of a few of them for thorough study and review making, content analysis, adding personal observation and previous knowledge to the contents, arriving at findings and drawing of conclusion keeping in view the objectives set for the study, and the hypothesis formulated for the purpose.

Findings & Conclusion

1. Bank is an inseparable part of the modern man's life, as it facilitates the monetary transactions
2. The modern man depends on banks for personal savings, deposit and withdrawal of money, transfer of money in the account of others, receipt of the money transferred by others, and for keeping the valuables and important papers in the lockers.
3. The causes that are responsible for the man's dependence on banks include sense of insecurity, sense of fear of losing the money, and his love for a carefree life
4. At the initial stage, bank was known only as an agency that allowed the customers to deposit and withdraw money through pen and paper mode
5. In the banks working in the rural space, particularly in the backward villages, more or less the same mode is still adopted by the customers
6. In the urban space, with the campaign of Digital India, revolutionary changes are occurring in the banking system
7. The pen-paper transactional modes are now being replaced by the online banking
8. In addition to the traditional transactional modes, now the other transactional modes are- e-banking, NetBanking, transaction through ATM, transaction through PTM etc.
9. The modern customers are not ready to wait, and want the transactions to be done within no time, and without waiting for their turn while standing in the long queue
10. The modern ongoing transactional modes have brought about a revolution in the banking system as well as in the monetary behavior of the customers
11. The existing transactional modes are positive as they facilitate the quick receipt and transfer of money as well as its deposition and withdrawal

12. They also facilitate the borrowing of loan just online without even visiting the banks for once
13. The cyber crime makes them negative, and it demands that the customer should be very alert while going for any such transaction
14. Bank is the safest place for keeping money and valuables, and a reliable agency that helps man make transactions with any person sitting in any corner of the world within no time.

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