

## Chapter 4

# Digitalisation and Financial Service Innovation in Banking: A Global Perspective

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### ABSTRACT

*The banking environment has become highly competitive today. The banking sector is undergoing the process of radical transformation due to excessive competition of foreign and private players and changes in tastes, preference, and habits as well as expectations of customers for newer products. India has a diversified financial sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The Government of India has introduced several reforms to liberalise, regulate, and enhance this industry. The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for micro, small, and medium enterprises (MSMEs). Also, the advancements in technology have brought the mobile and internet banking services to the fore. Thus, many banks launched contact-less credit and debit cards in the market. These types of cards, which used to near field communication (NFC) mechanism, allowed customers to transact without having to insert or swipe.*

### INTRODUCTION

Banking environment has become highly competitive today. The Banking sector is undergoing the process of radical transformation due to excessive competition of foreign and private players and changes in tastes, preference and habits as well as expectations of customers for newer products. The traditional view of business which was the right product must be available in the right place at the right time is replaced now by a more dynamic and flexible concept that any product should be available at anytime and anywhere (Aditi, 2013). To be able to survive and grow in the changing market environment globally, banks are going for the latest technologies, which is being perceived as an enabling resource that can help in developing more flexible structure that can respond quickly to the dynamics of a fast changing

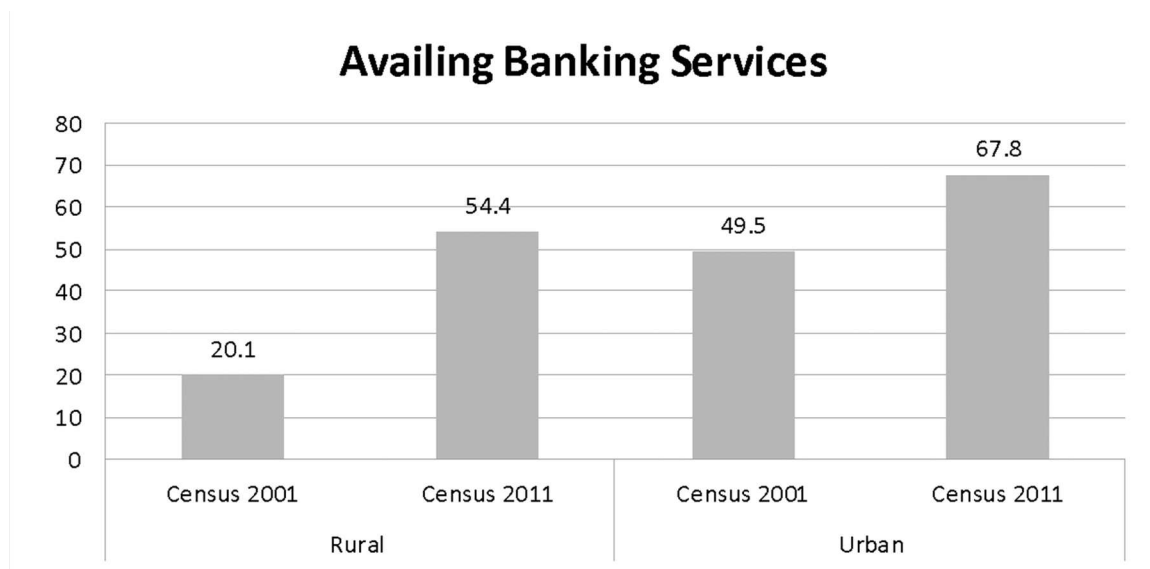
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global market scenario (Research Gate, 2018). It is also viewed as an instrument of cost reduction and effective communication with people and institutions associated with the banking business.

Over the years, the Banking Sector in India has seen a number of changes. Most of the banks have begun to take an innovative approach towards banking with the objective of creating more values for customers and consequently the banks. E-Banking enables the people to carry out most of their banking transactions using a safe website which is operated by respective banks. With the emergence of Privatisation, Globalisation and Liberalisation in India, banks are focusing on Research and Development and applying various innovative ideas and technology such as ECS, RTGS, NEFT, EFT, ATM, Retail Banking, Debit and Credit cards, mobile application and many more (Neha Yajurvedi, 2015). Therefore, there is a close relationship between the development of banking sector and the new innovations in technology and Electronic data processing. The Indian Banking has finally worked up to the competitive dynamics of new Indian market and its relevant issues concerning the various challenges of Globalisation. Hence the banks that employ IT solutions are perceived to be futuristic and proactive players capable of meeting the multifarious requirements of large and multi level customer base.

*Figure 1. Percentage people availing banking services*

*Source: Department of Financial Services, GOI.*



## **Financial Institutions in India**

The financial institution in India is divided into two categories. The first type refers to the regulatory institutions and the second type refers to the intermediaries. The regulators are assigned with the job of governing all the divisions of the Indian financial system. These regulatory institutions are responsible for maintaining the transparency and the national interest in the operations of the institutions under their supervision.

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