
E MODULE ON INNOVATIONS IN BANKING

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bank
innovation

bank  innovation

MEANING OF INNOVATIONS IN BANKING:

New services both credit and non credit ones have been introduced and existing services developed by banks throughout the world as they meet increasing competition for business from within the banking industry and from without fill gap in their range of services or try to steal a march over their competitors by endeavouring to satisfy the needs of their present and potential customers demanding more flexible, advantageously priced and comprehensive facilities.

INTERNET BANKING

- It involves use of internet as a medium of communication for accessing and utilizing host of banking and financial services. It has not only transformed the “ways” of banking but also all the aspects of the finance and commerce.



ACTIVITIES INVOLVED

TRANSACTIONAL

fund transfer,
bill pay,
loan application &
transactions

NON- TRANSACTIONAL

— request for
cheque book,
stop payment,
online
statements,
update your
contact
information

~~How to do internet banking ?~~

SECURITY ASPECTS

- ❑ Authentication
- ❑ Secure the website
- ❑ Privacy
- ❑ Transaction confirmation



INTERNET BANKING IN INDIA.....

ICICI, HDFC, AXIS, etc

Challenges faced in India:

- Computer savvy
- Internet connectivity
- No Safe computing
- Customer confidence
- Security and privacy
- Initial cost



RATIONALE OF I-BANKING

ADVANTAGES

- Convenient
- 24X7
- Fast and efficient
- Keep on eye
- Endorsement of services

DISADVANTAGES

- Understanding the usage of internet
- No internet connection
- Hacked by unauthorized person
- Low banks server
- transaction confirmation



ELECTRONIC BANKING

Large scale use of information technology by banks has resulted in computerisation of branches of banks and their inter-connectivity by means of safe and reliable networks. It refers to basic transactions of banking by customers round the clock through "electronic media"



TRANSACTIONS INVOLVED



- Account enquiry
 - Fund transfer
 - Payment of electricity, water, telephone bills etc
 - Online payment for transactions equally performed through internet
 - Request for issuance of cheque book, drafts etc.
 - Access to latest schemes
 - Access to rate of interest charged
 - Online trading
 - Online tax payment
-

Models of e-banking

Complete
Centralised
solution

Cluster
approach

High tech
Bank within
bank

Rationale of e-banking

ADVANTAGES

- Round the clock banking
- Convenient banking
- Profitable banking
- Quality service
- Speed banking

DISADVANTAGES

- Start up cost
 - Training and maintenance
 - Lack of skilled personnel
 - Security
 - Technical problems
 - Restricted business
-



The earliest mobile banking services were offered through SMS a service which is called SMS banking. Mobile banking is an innovative solution designed for modern and energetic people who value their time.



LIKE: balance checks, account transactions, payments, stock market transaction, administer accounts, etc

5 reasons to use m-banking

More ways
to access
accounts

Good security

Ramping
up
quickly

No fees

Easy
access

MODELS OF M-BANKING

BANK
FOCUSED
MODEL

Bank led
model

Non bank
Led model



Retail banking encompasses deposit and asset linked products as well as other financial services offered to individuals for personal consumption like loans for housing , vehicle for consumer durable, loans for enjoying vacations.



**Retail
Banking**



Retail Banking

Today

1950s

Retail deposit products

- Saving bank account recurring deposit
- Recurring deposit account
- Current deposit account
- Term deposit account
- Zero balance account for salaried class people
- Senior citizen deposit accounts



Retail loan products and services

- Home loans
- Auto loans for purchase of new/used four wheelers and two wheelers
- Consumer loans
- Personal loans
- Educational loans
- Crop loans
- Credit cards
- Safe deposit lockers
- Depository services



Emerging issues in R-banking

Knowing customer

Technology issues

Organisational alignment

Product innovation

Pricing of product

Merits and demerits

Merits

- Less bargaining
- Low cost funds
- Effective relationship
- Diversified portfolio
- Good profits
- Bottom line
- Affordable credit

Demerits

- Costly and time consuming
 - Net banking
 - Other financial products
 - Invest heavy in technology
 - HR department
 - Long term loans
-



WHOLESALE BANKING

It is specialised banking division that provides integrated credit and capital markets products and expertise for funding, risk management and investment services and products to large corporate clients locally and abroad. LIKE: structured transaction, loan syndication, credit structuring, securitisation, project finance etc



Services by W-banking

FUND BASED:

- Term lending
 - Short term finance
 - Working capital finance
 - Bill discounting
 - Export credit
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NON FUND BASED:

- Bank guarantees
- Letter of credit
- Collection of bills and documents

CONTINUED.....



VALUE ADDED:

- CASH MANAGEMENT
 - VENDOR FINANCING
 - DERIVATIVES
 - TAX COLLECTION
 - CHANNEL FINANCING
 - MONEY MARKET
 - EMPLOYEES TRUSTS
-

INTERNET

BANKING:

- PAYMENT GATEWAY
- CORPORATE INTERNET BANKING
- SUPPLY CHAIN MANAGEMENT
- SUPPLY CHAIN PARTNERS

UNIVERSAL BANKING

it is a banking system in which banks provide a wide variety of financial services, including commercial and investment services. It is common in European countries including Switzerland. This offer credit, loans, deposits, asset management, investment advisory, payment processing, securities transactions etc.



Rationale of U-banking

MERITS:

- Investors trust
- Economies of scale
- Resource utilisation
- Portfolio diversification
- Easy marketing
- One stop shopping

DEMERITS:

- Different rules and regulations
- Effect of failure on banking system
- Monopoly
- Conflict of interest
- No expertise in long term lending



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- ❑ No lending of deposits
 - ❑ Extremely high liquidity
 - ❑ Extremely high asset security
 - ❑ Lower interest rates paid to depositors
 - ❑ Regulatory framework with higher level of scrutiny and operational and investing restrictions
 - ❑ No derivatives
 - ❑ No off balance sheet assets
 - ❑ High degree of institutional transparency



OFF-SHORE BANKING

An offshore bank is a bank located outside the country of residence of the depositor. Typically in a low tax jurisdiction that provides financial and legal advantages...

- ❑ Low or no taxation
- ❑ Easy access to deposits
- ❑ Protection against local, political or financial instability
- ❑ Greater privacy



MULTINATIONAL BANKING

a multinational bank has been defined as a bank that owns and controls banking activities in two or more countries.

- Foreign currencies
- Derivative securities
- Gold and precious metal
- Borrowing and lending in foreign currencies
- Trade finance
- Corporate finance across border





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THANK YOU SO MUCH



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