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A Study on Financial Service Markets in India with Special Reference to Banking Sector

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ABSTRACT

Financial system is characterized by the presence of an integrates, organized and regulated financial markets, and institutions that meet the short term and long term financial needs of both the household and corporate sector. The financial system is possibly the most important institutional and functional vehicle for economic transformation. Finance is a bridge between the present and the future and whether it be the mobilization of savings or their efficient, effective and equitable allocation for investment, it is the success with which the financial system performs its functions that sets the pace for the achievement of broader national objectives.

Keyword: financial system, mobilization of savings, equitable allocation

1. INTRODUCTION

Basic materials producers such as steel makers, paper companies, food producers, energy suppliers, and telecommunications providers are increasingly thinking about building brands. What they lack, however, are the distinct product benefit required to build brand equity. Many, that is to say, have only a name, and are searching for a brand. But there are a number of encouraging success stories.

The major challenge for commodity companies is to decide in what way they will be distinctive and how they can bring that about. Many companies believe that bundling services to provide one-stop shopping (by offering energy and cable television services together, for example) is the way. Research suggests, however, that bundling works only if companies add genuinely new benefits beyond an integrated bill and a small bundled-price discount. Instead of thinking what disparate offerings they can put together, companies should work with customers to understand where opportunities exist to create real value.

2. OBJECTIVES OF THE STUDY

- To know the financial services in India.
- To study the impact of Banking Sectors.
- To know different type of Banks.

3. METHODOLOGY

This paper is the outcome of a secondary data on Indian Financial services with special reference to Indian Banking Sectors context. To complete this various books, journals and periodicals have been consulted, several reports on this particular area have been considered, and internet searching has also been done.

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4. SERVICE SECTOR IN INDIA

Basic materials producers such as steel makers, paper companies, food producers, energy suppliers, and telecommunications providers are increasingly thinking about building brands. What they lack, however, are the distinct product benefit required to build brand equity. Many, that is to say, have only a name, and are searching for a brand. But there are a number of encouraging success stories.

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5. COMPONENTS OF INDIAN FINANCIAL SYSTEM

The following are the four major components that comprise the Indian Financial System:

1. Financial Institutions
2. Financial Markets
3. Financial Instruments/Assets
4. Financial Services

TYPES OF FINANCIAL INSTITUTIONS IN INDIA

1. Banking Institutions
2. Non-Banking Financial Institutions

BANKING INSTITUTIONS

The Indian financial system is broadly classified into two broad groups:

i) Organized sector
ii) Unorganized sector.

ORGANIZED SECTOR: The organized banking sector consists of commercial banks, cooperative banks and regional rural banks.

UNORGANIZED SECTOR: In the unorganized banking sector are the indigenous bankers, money lenders.

6. NON-BANKING FINANCIAL INSTITUTIONS

The non-banking institutions may be categorized broadly into two groups.

i) Organized sector
ii) Unorganized sector.

ORGANIZED SECTOR: The organized Non-banking sector consists of Development Finance Institutions and Investment Institutions. These include IDBI, ICICI, IFCI, IRDC, UTI, LIC, and GIC.

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UNORGANIZED SECTOR: In the unorganized Non-banking sector are the leasing, agencies, merchant banking etc."The financial system is also divided into users of financial services and providers. Financial institutions sell their services to households, businesses and government. They are the users of the financial services.

7. TECHNOLOGY ADOPTION IN INDIAN BANKING SECTOR

Today Information Technology not only facilitates automation of process and data processing but also provides more value addition to the entire Banking Business. Further, it is directly and visibly linked to 'value to customer'. Banking today has transformed into a technology intensive and customer friendly model with a focus on convenience. The sector is set to witness the emergence of financial supermarkets in the form of universal banks providing a suite of services from retail to corporate banking and industrial lending to investment banking.

AUTOMATED TELLER MACHINE (ATM)

The traditional branch model of bank is now replaced with an alternative delivery channels like ATM network by using the plastic card with its special features. It is otherwise being called as debit cards. The plastic ATM card is replacing all paper based verification including cheque, and it avoids the personal attendance of the customer during the restriction of banking hours. ATMs used as facilitator for Electronic Fund Transfer. ATM itself can provide information about accounts of customers and also receive information's and instructions from customers like stop instruction, autopay, cheque drop, etc., An ATM is an Electronic Fund Transfer terminal facilitating cash deposits, inter and intra transfer between accounts, balance enquiries along with mini statement of accounts, cash withdrawals and pay bills.

INTERNET BANKING (I – BANKING / E-BANKING)

Internet banking (or E-banking) means any user with a personal computer and a browser can get connected to his bank's website to perform any of the virtual banking functions. In internet banking system every bank has a centralized database that is connected with other banking system through web-based environment. All the services that the bank has permitted on the internet are displayed in menu. Through that any service can be selected by the customer and further the demo or working manual is provided by the nature of service.

MOBILE BANKING / PHONE BANKING

In October, 2008, the first measure to regulate mobile banking in India was start up. Since then, it is progressively liberalized the manner and extent to which banks can conduct mobile banking, alive to the needs of the market, in particular, the un-banked population and the migrant labor force within the country. Today, mobile phone enhancing the banks in India to facilitate intra and interbank funds transfer between bank accounts. India is enjoying an explosion in the development and usage of mobile communication technology. With this development the financial sector can exploit. Mobile phone users belong to all strata of society, spread across metropolitan center, towns and villages. In telephone banking, the telephone is used as a message carrier to enable person to person or voice activated automated communication between the bank and the customer.

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CARD MECHANISM - CREDIT CARDS/DEBIT CARDS

The Credit Card holder is empowered to spend wherever and whenever he wants with his Credit Card within the limits fixed byhis bank. Credit Card is a postpaid card. Debit Card, on the other hand, is a prepaid card with some stored value. Every time a person uses this card, the Internet Banking house gets money transferred to its account from the bank of the buyer. The bank never faces a default because the amount spent is debited immediately from the customer's account.

SMART CARD

Banks are adding chips to their current magnetic stripe cards to enhance security and offer new service, called Smart Cards. Smart Cards allow thousands of times of information storable on magnetic stripe cards. In addition, these cards are highly secure, more reliable and perform multiple functions. They hold a large amount of personal information, from medical and health history to personal banking and personal preferences. Smart card technology is now familiarized in India.

FUND TRANSFER TECHNIQUES

It is necessary to highlight here the extent of customer migration to electronic payments in India. From less than half a percent of transactions in the electronic mode in 2001, today the process close to about 30 cores transactions per year in the electronic mode. The same holds true for RBI's recent initiative away from High Value Clearing to electronic modes, a move aimed at creating a safer, secure and credit-push based funds transfer route that has gained considerable transaction.

RTGS

The past few years marking some major milestones in the Indian payment and settlement systems with the introduction of the Real Time Gross Settlement (RTGS) System has resulted in compliance with the Basle Core Principles for Systemically Important Payment Systems of the Bank for International Settlements. It also has providing the means for risk-free and credit push-based fund transfers settled on a real-time basis with the central bank money.

The facility for inter-bank funds settlement through RTGS is today available across more than 55,000 bank branches, in more than 2500 regional centers across the country, a coverage span perhaps not seen anywhere else in the world.

INFINET

Institute for Development and Research in Banking Technology (IDRBT) implemented the Indian Financial Network, the INFINET a 'one-of-a-kind' initiative for the banking sector aimed at sharing expensive IT resources so as to achieve economies ofscale. One of the notable achievements of IDRBT's has been the implementation of Public Key Infrastructure (PKI) based electronic data transfer with very high security levels. The Institute has also developed a messaging standard known as Structured Financial Messaging System (SFMS) with security features superior even to SWIFT

SECURITY IN BANKING

Security in an Information Technology based transaction processing environment is also very much essential and critical. Adequate security controls must be exercised in place to protect the consumer

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interest. This includes the validation of transactions with the maker-checker concept, transmission of encrypted form of electronic messages over a network, due authentication by means of providing for digital signatures and warehousing of electronic records in conformity with the provisions of the Information Technology Act, 2000 and amendment Act 2008.

8. CONCLUSION

In the recent past, the Indian banking sector has undergone significant developments and investments. In this sector, there are huge opportunities and numerous challenges. Money laundering is a growing menace and it not only poses serious threat to the stability and integrity of the financial system but also to the sovereignty and safety of nations worldwide. In the coming days, challenges before banks would primarily lie in saving themselves from the growing threat of money laundering. Indian banks are once again at the cross-roads of development and this report is just an indication of what lies ahead. Regulators, policy makers and banks would have to work together for making sure that the growth engine for Indian economy functions smoothly and paves way for the country to become a global economic super power.

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