Abstract

The digital transformation in banking is evident as an outcome of advances in Information Technology over the period. The Indian banking system has come a long way embracing latest technologies and following an innovative approach in meeting the changing regulations, abiding by the legalities and of course delivering extra value to customers. The traditional banking has now matured to a digital world that leverages electronic payment system alongside the hard cash. This ebook discusses several banking innovations like ECS, NEFT, RTGS, and card payment systems. It also explains how the new technology trends will help in shaping the future of banking in India.
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Introduction

The Indian banking industry has revolutionised in the past decade. Core banking systems have widely been adopted to automate their basic processes and optimise data across the banks and branches. CBS has also proved to be a foundation for offering digital capabilities – mobile and online channels. The technology involved in business correspondent (BC) models, automated teller machines (ATMs) etc. has invariably helped the banks reach out to the under-serviced and unbanked rural Indian population. Banks have also implemented risk management systems to cater to regulatory compliance and have invested in business intelligence (BI) & analytics to deal with problems like the rise in the number of NPAs, customer demands, launch of new products/services etc.

Exploiting all of these technologies promises extraordinary growth and innovation in the Indian banking industry. However, a lot still remains undone. While core banking systems have strengthened the internal functioning of banks, a lot is yet to be achieved for serving millions of unbanked population. In the coming years, ways to optimally use technology for customer satisfaction and maximise return on investment is critical.
Indian Banking – Emerging Trends

- Financial Inclusion
- Mobile Banking
- Electronic Payments
- CRM
- IT Implementation
- IT Risk Management
- IT for Innovation
Innovations in banking

The banking needs and habits of customers have significantly changed over the years and so have the means of servicing them. Financial institutions have been adopting various innovations in the banking space. Though some of these trends are mature enough and widely accepted, there are a few with a comparatively lower penetration. The diagram here denotes the evolution of digital payments system in India.

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- **Late 1980’s to early 1990’s**
  - Card based payments (debit/credit cards)
- **Late 1990’s**
  - Electronic Clearing Service (ECS)
- **Early 2000’s**
  - Electronic Fund Transfers (EFT)
- **March 2004**
  - Real time Gross Settlement (RTGS)
- **2005-2006**
  - National Electronic Fund Transfer (NEFT)
- **2008**
  - Cheque Truncation System (CTS)
1. Card based payments

The growth of plastic money in India is rising like never before. A payment card enables the cardholder to transfer or exchange money through a POS or payment gateways, using electronic fund transfer. The most common cards are debit and credit cards. However, recently few lesser known cards like gift cards etc. have also been introduced.

*Within the Pradhan Mantri Jan Dhan Yojana (PMJDY), 22.15 crore RuPay cards have been issued to people including the rural Indian population as on April 2017. The graph here displays the increase in the debit and credit card usage in the past few years.*

**Growth of Card based payments**
2. Automated Teller Machines (ATMs)

ATMs are the most popular banking technology amongst the Indian audience. Earlier, this device was meant only for withdrawing money, however, in the recent times, it has been incorporated with more facilities to deposit cash, generate mini-statements, transfer funds between accounts, pay bills and perform more such transactions any time i.e. 24*7.

*Today, there are over 2.2 lacs ATMs installed in India to facilitate the general public. Of all the debit cards used, 80% are used at the ATMs.*
3. Electronic Clearing Service (ECS)

The ECS (electronic payment mode) is used by banks and financial institutions to make payments in bulk (generally the ones that are periodic and repetitive in nature) such as the interest or dividend, pension, salary etc. It may also be used for collecting funds in bulk i.e. amounts received for telephone, electricity or water payments etc.

*There have been a few fluctuations in the value of ECS over the years (2010-2015) and this graph is a typical representation of these changing numbers.*

Trends in Electronic Clearing Service (ECS)
4. Electronic Fund Transfer (EFT)

- With EFT, banks can transfer funds from one's bank account to the beneficiary account upon instructions by the account owner.

- This can be done either through depositing cash at the bank or by transferring funds directly from the account.

- Bank account details of the beneficiary account such as account number, name, amount to be transferred, bank name and address etc. are mandatory for EFT.
5. Real time Gross Settlement (RTGS)

RTGS, an Interlink Research Analysis system is a means for banks to give electronic instructions for transferring funds from one account to the other. The system is governed by the RBI and is considered to be a secure and faster fund transfer medium within banks on a real-time basis. The RTGS service requires the bank to credit funds to beneficiary account instantaneously, without any waiting time.

*The growth in RTGS has been very significant over the years. Here’s a look*....
6. National Electronic Fund Transfer (NEFT)

With this technology, banks empower the customers to transfer funds to the beneficiaries online, easily and securely. Unlike RTGS, this facility isn’t available real-time but occurs every hour (within the defined hours) in batches.

As on 2015, the NEFT facility was available in over 30,000 branches of banks. Many more banks and branches are gradually being added to this list as they deploy NEFT.
Future of Indian banking

The growth of mobile banking and electronic payments are an indication that the Indian banking industry will be stronger like never before. Moreover, banks need to adopt mature technologies that involve analytics, business intelligence (BI), data warehousing, profitability management etc. They must move beyond the regular core banking solutions and focus on having a single view of customers on a real-time basis. This will empower them to have instant access to information and help in making effective business decisions. They need to own innovative solutions that not only address to today’s problem but are capable of attending future requirements.

This is an era of anytime, anywhere banking and implementation of CBS has made this possible to quite an extent. Banks have been taking special care to maintain their carbon footprint and so ‘green technology’ is popularising. Facilities like ECS, NEFT and RTGS will drive more people to bank online. Also, technologies like Artificial Intelligence (AI), Biometrics, EMV, mobile, analytics and BI will rule in the times to come.
Conclusion

Technology has played a pivotal role in the progress of banking industry in India over the last decade. While cash is still the dominant factor, electronic payments have attracted a large number of customers to seek online services for their financial needs. Mobile technology and other banking innovations have made banking more convenient and accessible. However, not all financial institutions are open to new-age banking solutions to maximise their business and operational efficiency. This challenge must be overcome.

Banks must invest in new technologies and innovations that are best-suited to their needs and make them competitive on a global front, by all means. They must enhance their customer experience and provide them with an international exposure through the latest banking solutions.
Sesame, a Speridian company, is a well-known brand providing new-age banking solutions to financial institutions. It carries a legacy of 24+ years and serves over 200 renowned customers in Kerala and the rest of India.

Check out the exclusive range of products Sesame offers:

1. Core Banking
2. Mobile Banking
3. BI Banking
4. Agent Banking
5. NPA Management
6. Cashless Banking etc.

Sesame’s dedicated team is focused on providing a world-class experience to its clients and supports them at all times. It uses advance technologies to offer innovative, safe and convenient products to banks that help them in meeting their business goals. Sesame is proficient in offering need-based banking solutions to financial institutions.

For more details, visit: www.sesameindia.com.
Thank You