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THE CHANGES OF BANKING AND FINTECH SECTOR IN 2019

[1]S.Salomy, [2]P.Vardhan Kumar, [3]P.S.Raja Vardhan

[1]Head of the Department, Department of Management Studies,
Gates Institute of Technology, Gooty
[2]PG Student, Department of Management Studies, Gates Institute of Technology, Gooty
[3]PG Student, Department of Management Studies, Gates Institute of Technology, Gooty

ABSTRACT

The year 2018 was challenging for the banking sector as the asset quality continued to deteriorate .There were a host of changes in the retail banking and Financial technologies (fintech) spaces from the Supreme Court's restrictions on the use of Aadhaar for e-KYC to the exit of high profile execs from leading private banks plagued with governance and performance issues to the RBI ban on cryptocurrency. Among other major events in the space was the central government proposal to merge three public sector banks and the Reserve Bank of India (RBI) benchmarking all retail loans, including those given to small enterprises, to an external rate . This paper provides an key changes will have a bearing on the banking and fintech sector in 2019

Key words: Fintech, Banking.

Introduction

The word "bank" is derived from the Greek word "Banque which means bench. The Jews, who were considered to be the early bankers, transacted their business on benches in the market.l According to some economist, the word bank has been derived from the German word "Banc" which means Joint Stock Firm, while other say it is derived from the Italian word "Banco" which means heap or mound.' There is no unanimity amongst economist about the origin of the word banks. Thus, it is difficult to say which definition is more correct.3

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Conversely, the view that the word bank originated from the word Banc or Banco, seems to be more convincing, as it is used in the establishment of the Bank of Venice, which is supposed to be the most ancient bank.

During the post independence period, there was rapid progress in banking sector in India. A number of banks started progressing along with its branches. The banking industry was regulated by the RBI and Banking company's Act, which was passed soon after independence. Due to these development, different types of banks emerged such as Scheduled Commercial and Non-Scheduled Commercial banks which were in addition to co-operative banks in India.In the post liberalization era, banking shifted from 'Class banking' to 'Mass banking.' India's banking system has several outstanding achievements to its credit, the most striking of which is its reach. An extensive banking network has been established in the last thirty years, and India's banking system is no longer confined to metropolitan cities and large towns: in fact, Indian banks are now spread out into the remote corners of our country. In terms of the number of branches, India's banking system is one of the largest, if not the largest in the world today. The most significant achievement is the close association of India's banking system with India's development efforts. The diversification and development of our economy, and the acceleration of the growth process, are in no small measure due to the active role that banks have played in financing economic activities in different sectors. The post liberalized era paved way for new financial products and services, greater need for professional approach and wider use of technology. Post liberalized period changed the way banks carry out heir business, banks no longer remained in the four walls of the banks premises. Now customers have an option to carry out banking transaction right from the comfort of their homes.

Technologies in banks have made it possible for customer to access his account on inter net and carryout banking transactions without visiting the branches. ATM, E-banking, mobile banking, internet banking are the buzz words in recent banking. Banks play important role in the development of trade, commerce. It has vital role in the economic development of nation's economy. We can't think of a modern society without banking system. The Indian Money market consists of both organized and unorganized sectors. In between these two sectors, there exist co-operative sector, which have to work under strict control and

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supervision, so it can be comfortably included in organized sector. Organized sector consist of RBI at the helm of affairs, public sector banks, private sector banks other financial institutions and DFHI ltd (The discount and Finance House of India was set up jointly public sector banks and financial institutions by RBI.

Objectives of the Study:

1. To know the Key Changes in Banking Sector
2. The Impact of Mergers of three PSU banks

The key changes are:

Retail loans to get transparent

According to an RBI directive, retail loans will be benchmarked to an external rate effective April 2019. This move is expected to bring more transparency; banks would be forced to reduce their loan rates in case interest rates move down, something that experts say wasn't happening. Further details are expected to be rolled out in the first quarter of 2019 from the Reserve Bank of India.

e-KYC will evolve post Aadhaar ban

e-KYC facilitated completion of the KYC process online eliminating the need for filling up physical forms and submission of physical documents. The main objective of e-KYC is to register the customer with the least amount of paperwork and in the shortest possible time. Banks and financial institutions used Aadhaar for e-KYC.

In September 2018, the Supreme Court ordered a ban on linking the Aadhaar number for e-KYC process while opening a bank account. This has resulted in an increase in the time taken to open an account and loan processing charges have gone up due to the increased paperwork. In 2019, experts hope the banking industry to come up with new ways to authenticate their customers online, like the e-KYC process that earlier used Aadhaar. The use of live videos is one such example.

Impact of the proposed merger of three PSU banks

In September 2018, the central government proposed to merge three PSU state-owned banks, Bank of Baroda, Dena Bank and Vijaya Bank. After the merger in 2019, customers will need to track changes in their existing loan account and deposit rates. It is recommended that

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customers thoroughly understand the free and chargeable services of the merged entity as there may be a change as per the acquiring bank's rules and regulations.

One key thing customers would need to keep in mind is that your bank account number and the associated details such as the Indian Financial System Code (IFSC) code would change post-merger. So, customers would need to update it wherever you use it.

Lastly, while transitioning to bank website for internet banking, the online banking portals of the merged banks may cease to exist and you may be redirected to the merged entity's portal. Depending on the new bank's policies, you may or may not be able to continue to use your older credentials (user ID and password) for online banking.

AjitVenugopalan, Managing Director, SVC Co-operative Bank cautioned, "Stay alert while redirecting to a new website and confirm you login to the correct bank website for internet banking and not on phishing webpage which may look similar to new bank homepage."

UPI 2.0 will become mainstream

In August 2018, National Payments Corp. of India launched Unified Payments Interface (UPI) 2.0 with added features for users. This includes allowing UPI users to link their overdraft account to existing UPI accounts. Earlier, only saving account holders were able to link their bank accounts with UPI.

Normally, an invoice is generated after paying an e-commerce website for shopping. But UPI 2.0 allows users to view the invoice first, check the particulars, and then make the payment. Further, while shopping on a website, customers can now block the funds for a particular purchase on the UPI account, and then make the payment once the product has been delivered. Lastly, quick response (QR) codes are now embedded on UPI 2.0 so users can make the payment to merchants by scanning it making it quicker and easier.

With this new features of UPI 2.0 there has been a significant increase in person to merchant (P2M) adoption. From contributing 2 percent of the total gross merchandise volume (GMV) in January 2018, UPI grew to 12 percent in November 2018 on Razorpay's platform, whereas the GMV share of credit and debit cards fell from 74 percent in January to 55 percent in November. Razorpay is one of the leading payment gateway company that helps Indian

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businesses accept digital payments via credit/debit card, net banking, digital wallets and UPI from their end customers.

UPI transactions increased to 405 million in November 2018 from 30 million in September 2017. HarshilMathur, CEO and Co-founder, Razorpay said, "We believe UPI will become the de-facto method for all online payments by 2020; UPI handle may soon be used as a credit card, too by the users."

The launch of UPI payments on WhatsApp would take UPI mainstream, enabling a huge chunk of the Indian public, down to the smallest cities, have access to digital payments on a trusted platform

CONCLISION:

In the year 2019 Banking and fintech services getting lot of changes in their activities in 2018 supreme court ordered a ban on linking the aadhar number for e-Kyc is mandatory. In the last year the central government proposed to merge three PSU state owned banks so customers will need to track changes. Unified payment interface(UPI) users to link their overdraft account to existing UPI account

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