

MODERN BANKING SYSTEM IN INDIA

Dr. Pravin P. Kulkarni

M.Com, M.Phil, NET Ph.D., Assistant Professor, Department of Commerce, Arts Commerce & Science College, Maregaon (Road), Dist- Yavatmal. (M.S.).

Email: pkulkarni140@gmail.com

Abstract

The banking system in India, evolved over several decades, is well established and has been serving the credit and banking needs of the economy. The major role of banks is to intermediate resources from the depositor to the lender for their mutual benefit while allocating them in an efficient manner, thereby contributing to economic growth through enhanced efficiency in usage of resources. There are multiple layers in today's banking structure to cater to the specific and varied requirements of different customers and borrowers. The banking ecosystem is providing impetus to economic growth and development of the country and catering to the specific and varied financial requirements of different customers and borrowers. The structure of the banking system of India can be broadly divided into scheduled banks, non-scheduled banks and development banks. Banks that are included in the second schedule of the Reserve Bank of India Act, 1934 are considered to be scheduled banks. Presently, 135 scheduled commercial banks are providing banking services in India. In addition, co-operative banks and local area banks are also providing banking services in various segments in different locations of the country. For the purpose of lending to specific sectors / segments, around 9,306 Non-Banking Financial Companies (registered with RBI as on 30.6.2024) and 5 All India Financial Institutions are also catering the needs of the borrowers.

Keywords: Banking System, Banking Structure, Economic Growth, Reserve Bank of India.

► *Corresponding Author: Dr. Pravin P. Kulkarni*

Introductions:

Meaning of Modern Banks:

Modern banks represent a fundamental evolution in financial services delivery, characterized by the seamless integration of advanced technology with customer-centric banking practices. Unlike traditional banks that rely on brick-and-mortar branches and time-consuming manual procedures, modern banks operate through digital-first platforms that prioritize convenience, speed, and accessibility.

Modern banking emerged from the post-liberalization banking reforms of the 1990s and accelerated dramatically during the digital revolution of the 2000s and 2010s. Today's modern banks encompass diverse institutional models, from digital subsidiaries of traditional banks to fully independent neobanks operating exclusively through mobile applications and web platforms.

The defining characteristic of modern banking is the **elimination of temporal and spatial constraints**—customers can access comprehensive banking services 24 hours a day, 7 days a week, from any location with internet connectivity, using smartphones, tablets, or computers. This

represents a stark departure from traditional banking where services were confined to branch opening hours and physical locations.

Modern banks leverage several converging technologies: cloud computing for scalable infrastructure, artificial intelligence for personalized services and fraud detection, blockchain for secure transactions, biometric authentication for enhanced security, and application programming interfaces (APIs) for seamless ecosystem integration.

Objective of the Research Paper:

- 1) Describe the meaning of **Modern Banks**.
- 2) To study the current issue of banking scenario.

Research Methodology:

The research paper based on secondary data collected from various books, research paper, newspapers, journals, and different Google website.

Features of Modern Banks:

1. Technology-Based Operations: Modern banking runs on advanced digital systems that replace paper-based work. Mobile apps and web platforms give customers complete control of their accounts. Secure APIs link banks with fintech firms and government platforms, allowing smooth data sharing. Core Banking Solutions connect all branches so transactions update instantly everywhere. Digital onboarding, e-signatures, and document uploads have reduced account opening time from weeks to just a few minutes.

2. Customer Convenience: Banks now offer full access at any time and from any location. Services like account opening, fund transfers, loan applications, and investments are completed within minutes. Customers no longer need to visit branches. They can use phones, laptops, wearables, or voice assistants. AI systems personalize offers and financial advice based on spending patterns and customer needs.

3. Digital Payment Systems: Modern banks support a wide range of digital payments. UPI enables instant transfers around the clock. NEFT handles regular electronic transfers in half-hourly batches. RTGS settles large-value payments instantly. IMPS processes transfers up to ₹5 lakhs within minutes. Digital wallets and QR code payments make transactions contactless and easy. VPAs allow secure transfers without sharing account numbers. Some banks are also experimenting with digital currencies and blockchain systems.

4. Faster Service Delivery: Digital KYC reduces verification time from days to seconds. AI systems approve loans quickly by analyzing customer data. IMPS and UPI ensure fund transfers within minutes. Account balances update instantly after every transaction. Automated systems handle recurring bill payments on schedule. Integrated apps let customers invest in mutual funds or stocks within minutes.

5. Lower Cost of Operation: Neobanks function without physical branches, saving large infrastructure costs. Chatbots respond to customer queries, reducing dependence on staff. Automation lowers the cost per transaction to just a few rupees. Technology creates economies of scale where millions of users benefit from the same digital systems. These savings allow banks to offer low charges, competitive interest rates, and zero minimum balance accounts.

6. Enhanced Security: Modern banks use multiple security layers to protect accounts. Two-factor authentication and biometrics help verify identity. AI systems detect and stop suspicious transactions in real time. End-to-end encryption protects customer data. Hardware security

modules store cryptographic keys safely. Behavioral biometrics track user patterns to detect unusual activity. Regular security audits and compliance with RBI rules strengthen the overall security framework.

7. Financial Inclusion: Digital tools have expanded banking access to rural and low-income groups. Aadhaar-based accounts can be opened easily with biometric verification. AePS lets customers withdraw or deposit money using Aadhaar at micro-ATMs. Business correspondents take banking services to remote villages. Zero-balance accounts under Jan Dhan Yojana have brought millions into the formal system. Mobile banking and microfinance loans help people who were earlier dependent on informal lenders. Banks also run financial literacy programs to improve awareness of savings and digital payments.

Small Finance Banks (SFBs): Specialized Banking for Underserved Populations:

1. Small Finance Banks (SFBs)

Meaning: Small Finance Banks are specialized banks set up to provide basic banking and credit services to small businesses, low-income households, farmers and unorganized sector workers. Their main purpose is to promote financial inclusion in underserved areas.

2. Microfinance Banks (MFBS)

Meaning: Microfinance Banks are financial institutions that provide very small loans, micro-savings and micro-insurance services to poor households and small entrepreneurs who lack access to formal banking.

3. Payments Banks

Meaning: Payments Banks are digital-first banks created to provide small savings accounts and digital payment services to individuals and small merchants. They focus on secure, fast and low-cost payment services.

4. Neo Banks (Digital-Only Banks)

Meaning: Neo Banks are fully digital banks that operate without physical branches. They partner with traditional banks or use licensed banking partners to provide banking services entirely through mobile apps and online platforms.

Reference:

1. Pratap Sing 2013, Indian Economy ,Deep and Deep publication New Delhi.
2. Pratap Kumar 2012, Recent Problem In Indian Economy, Himalaya Publication New Delhi.
3. www.google.com
4. Avinash Kumar 2014, Problem of Indian Economy, Deep and Deep publication New Delhi.
5. Yogna Masik 29 Aug2024-25.
6. Lokrajya Masik 29 Dec. 2025.