**RECENT TRENDS IN COMMERCIAL BANKING AND ITS IMPACT IN RURAL BANKING**

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 **I. Introduction**
 Commercial banks play a significant role in shaping the day today economic transaction of common folk of India. The recent trends within the commercial banking sector have much influence within the digital literacy of the rural areas of India which positively contributed to rural development. The study concentrates on the recent trends within the commercial banking sector and its influence on banking in rural areas. Various fintech start-ups and giants corporations have also contributed to accelerating the digital revolution, especially in rural areas, given the extensive market which rests there. One among the unique features of digital payments has been their ability to access the areas that even banks couldn't access. Though, the digitalization campaign is yet to succeed in its optimum potential. Their motto is to encourage smooth and straightforward digital transactions in remote parts of the country, because it will benefit both people and corporations. The expansion of digital platforms to the hinterlands of the country is one in every of the key indicators of economic process, which was otherwise hammered by the covid surge and restrictions. Among its ripple effect lay the financial empowerment of both men and girls, boosting the economy and also the country’s Gross Domestic Product (GDP). India, which was otherwise hugely cash-driven, is gradually transitioning towards a cashless and paperless economy. It’s been made possible with the years of groundwork and initiatives sponsored by the government and fintech companies in India. Today we've an array of digital bill payment services targeted towards rural India. Thus with the broader and deeper spread of digital empowerment, India would soon be able to bridge the prevailing digital gap and exploit the unexplored market.

 **II. Commercial Banks**
 Commercial banks comprising public sector banks, foreign banks, and personal sector banks
represent the foremost important financial intermediary within the Indian economic system. The
changes in banking structure and control have resulted because of wider geographical spread and deeper penetration of rural areas, higher mobilization of deposits, reallocation of bank credit to priority activities, and lower operational autonomy for a bank management. Public sector commercial banks, dominate the commercial banking scene within the country. The biggest commercial Banks in India is SBI. The overall role of economic banks is to produce financial services to the final public and business, ensuring economic and social stability and sustainable growth of the economy. During this respect, credit creation is that the most important function of economic banks. While sanctioning a loan to a customer, they are doing not provide cash to the borrower. Instead, they open a savings account from which the borrower can withdraw. In other words, while sanctioning a loan, they automatically create deposits.

 **Functions of Commercial Banks**
\* Commercial banks accept various kinds of deposits from the general public especially from its clients, including saving account deposits, recurring account deposits, and glued deposits. These deposits are returned whenever the customer demands it or after a particular fundamental measure.
\* Commercial banks provide loans and advances of varied forms, like [overdraft] facility, cash credit, bill discounting, money at call, etc. They also give demand and term loans to all or any kinds of clients against proper security. They also act as trustees for wills of their customers etc.
\* The function of credit creation is generated on the idea of credit and payment intermediary. Commercial banks use the deposits they absorb to form loans. On the premise of check circulation and transfer settlement, the loans are converted into derivative deposits. To a specific extent, the derivative funds of several times the initial deposits are increased, which greatly improves the thrust of economic banks to serve the economic development.

**Secondary functions**
together with core products and services, commercial banks perform several secondary functions. The secondary functions of business banks are often divided into agency functions and utility functions.
Agency functions include:
\* to gather and clear cheques, dividends, and interest warrant
\* to form payments of rent, payment
\* To deal in exchange transactions
\* to buy and sell securities
\* To act because the trustee, attorney, correspondent and executor
\* to simply accept tax proceeds and tax returns
Utility functions include:
\* to supply safe deposit boxes to customers
\* to supply money transfer facility
\* To issue traveler's cheques
\* To act as referees
\* to just accept various bills for payment: phone bills, gas bills, water bills
\* to supply various cards like credit cards and debit cards

**New Advancements in Commercial banking sector**

**Automated Teller Machine** - An automated teller machine (ATM) or cash machine is an electronic telecommunications device that enables customers of financial institutions to perform financial transactions, like cash withdrawals, deposits, funds transfers, balance inquiries or account information inquiries, at any time and without the necessity for direct interaction with bank staff. Using an ATM, customers can access their deposit or credit accounts in order to make a variety of financial transactions, most notably cash withdrawals and balance checking, also as transferring credit to and from mobile phones. ATMs also can be used to withdraw cash in a foreign country. If the currency being withdrawn from the ATM is different from that during which the bank account is denominated, the cash will be converted at the financial institution's exchange rate. Customers are typically identified by inserting a plastic ATM card (or another acceptable payment card) into the ATM, with authentication being by the customer entering a personal identification number (PIN), which must match the PIN stored within the chip on the card (if the card is so equipped), or within the issuing financial institution's database.

**Bharat Interface for Money (BHIM)** - BHIM (Bharat Interface for Money) is an Indian mobile payment app developed by the National Payments Corporation of India (NPCI), supported the Unified Payments Interface (UPI). Launched on 30 December 2016, it's intended to facilitate e-payments directly through banks and encourage cashless transactions. The appliance supports all Indian banks which use UPI, which is made over the Immediate Payment Service (IMPS) infrastructure and allows the user to instantly transfer money between 170 member banks of any two parties. It are often used on all mobile devices

**Credit Cards** - A credit card is a payment card issued to users (cardholders) to enable the cardholder to pay a merchant for goods and services based on the cardholder's accrued debt (i.e., promise to the card issuer to pay them for the amounts plus the other agreed charges). The card issuer creates a revolving account and grants a line of credit to the cardholder, from which the cardholder can borrow money for payment to a merchant or as an advance. There are two credit card groups: consumer credit cards and business credit cards. Most cards are plastic, but some are metal cards (stainless steel, gold, palladium, titanium), and some gemstone-encrusted metal cards. A normal credit card is different from a charge card, which needs the balance to be repaid in full each month or at the end of each statement cycle. In contrast, credit cards allow the consumers to create a continuing balance of debt, subject to interest being charged. A credit card differs from a charge card also in that a credit card typically involves a third-party entity that pays the seller and is reimbursed by the buyer, whereas a charge card simply defers payment by the buyer until a later date.

**Debit Cards** - A debit card, also referred to as a check card, bank card, plastic card, or another description, may be a payment card that can be used in place of cash to make purchases. It’s similar to a credit card, but unlike a credit card, the cash for the purchase must be in the cardholder's bank account at the time of a purchase and is immediately transferred directly from that account to the merchant's account to pay for the purchase. Some debit cards carry a stored value with which a payment is formed (prepaid card), but most relay a message to the cardholder's bank to withdraw funds from the cardholder's designated checking account. In some cases, the payment card number is assigned exclusively to be used on the Internet and there is no physical card. This is often referred to as a virtual card

**Electronic Funds Transfer (EFT)** - Electronic funds transfer (EFT) is that the electronic transfer of money from one bank account to another, either within one financial institution or across multiple institutions, via computer-based systems, without the direct intervention of bank staff. In such method, a funds transfer initiated through an electronic terminal, telephone, computer (including on-line banking) or mag tape for the purpose of ordering, instructing, or authorizing a financial organization to debit or credit a consumer's account

**Immediate Payment Service (IMPS)** - Immediate Payment Service Service (IMPS) is an instant payment inter-bank electronic funds transfer system in India. IMPS offer an inter-bank electronic fund transfer service through mobile phones. The service is out there 24x7 throughout the year including bank holidays.

**Internet Banking** - Internet banking is an electronic payment system that permits customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website. The system will typically connect to or be part of the core banking system operated by a bank to provide customers access to banking services in place of traditional branch banking. Online banking significantly reduces the banks operating expense by reducing reliance on a branch network, and offers greater convenience to customers in time saving in coming to a branch and therefore the convenience of being able to perform banking transactions even when branches are closed. Internet banking provides personal and company banking services offering features such as viewing account balances, obtaining statements, checking recent transactions, transferring money between accounts, and making payments.

**Mobile Banking** - Mobile banking is another main service provided by a bank or other financial institution that allows its customers to conduct financial transactions remotely using a mobile device such as a smart phone or tablet. Unlike the related internet banking it uses software, usually called an app, provided by the financial organization for the purpose. Mobile banking is typically available on a 24-hour basis. Some financial institutions have restrictions on which accounts could also be accessed through mobile banking, also as a limit on the amount that can be transacted. Mobile banking depends on the availability of an internet or data connection to the mobile device. Transactions through mobile banking depend upon the features of the mobile banking app provided and typically includes obtaining account balances and lists of latest transactions, electronic bill payments, remote check deposits, P2P payments, and funds transfers between a customer's or another's accounts. Some apps also enable copies of statements to be downloaded and sometimes printed at the customer's premises. Making familiar with a mobile banking app increases ease of use, speed, flexibility and also improves security because it integrates with the user built-in mobile device security mechanisms.

**National Electronic Funds Transfer (NEFT)** - National Electronic Funds Transfer (NEFT) is an electronic funds transfer system maintained by the Reserve Bank of India (RBI). Started in November 2005, the setup was established and maintained by Institute for Development and Research in Banking Technology. NEFT enables bank customers in India to transfer funds between any two NEFT-enabled bank accounts on a one-to-one basis. It’s done via electronic messages. Unlike real-time gross settlement, fund transfers through the NEFT system don't occur in real-time basis. Previously, NEFT system settled fund transfers in hourly batches with 23 settlements occurring between 00:30 hrs. to 00:00 hrs. From 16 December 2019, there would be 48 half-hourly batches occurring between 00.30 am to 00:00 am a day regardless of a holiday or otherwise, As of 30 November 2019, NEFT facilities were available at 1,48,477 branches/offices of 216 banks across the country and online through the web site of NEFT-enabled banks. NEFT has gained popularity thanks to the ease and efficiency with which the transactions can be concluded. There’s no limit – either minimum or maximum – on the amount of funds that can be transferred using NEFT.

**Society for Worldwide Interbank Financial Telecommunications (SWIFT)** - The Society for Worldwide Interbank Financial Telecommunication (SWIFT), legally S.W.I.F.T. SC, is a Belgian cooperative society providing services related to the execution of financial transactions and payments between banks worldwide. Its principal function is to act as the the main messaging network through which international payments are initiated. The SWIFT messaging network may be a component of the global payments system. SWIFT acts as a carrier of the "messages containing the payment instructions between financial institutions involved during a transaction". SWIFT is solely a carrier of messages. It doesn't hold funds nor does it manage accounts on behalf of customers, nor does it store financial information on an on-going basis. As a data carrier, SWIFT transports messages between two financial institutions. This activity involves the secure exchange of proprietary data while ensuring its confidentiality and integrity.

**Tele banking** - Telephone banking may be a service provided by a bank or other financial institution, that permits customers to perform over the telephone a range of financial transactions which do not involve cash or Financial instruments (such as cheques), without the necessity to visit a bank branch or ATM

**Unified Payments Interface (UPI)** - Unified Payments Interface (UPI) is a real-time payment system developed by National Payments Corporation of India (NPCI). The interface facilitates inter-bank peer-to-peer (P2P) and person-to-merchant (P2M) transactions. UPI is an open source application programming interface (API) that runs on top of IMPS. It is regulated by the Reserve Bank of India (RBI) and works by instantly transferring funds between two bank accounts on a mobile platform

 **Digital payments in rural sector**
 Within the pre-COVID period, only a few merchants and consumers from rural segments were using digital payment solutions, but post-COVID there has been a exponential growth within the number of users using PoS, Biometric devices for AePS withdrawal, QR code for UPI payment acceptance. The government encouraging the public with incentives for using the UPI (United Payment Interface), reducing the service tax for digital transactions for state e-services signifies that there is a huge transformation towards digital payments.
The following reasons have lead to the growth of digital payments in rural sector.
• Digital payments in India is at nascent stage, and there's a push from varied quarters towards adapting the platform of digital payment solutions
• RBI has regulated cash payments during a phased manner, e.g. Imposing restrictions and tax on cash purchase of jewelry beyond a prescribed value.
• Imposing transaction charges for cash payments for payment to vendors, suppliers and services etc. and better transaction charges for banking transactions like cash withdrawal, deposits etc.
• More scrutiny over cash transactions
• Launch of more digital payment solutions
• The RBI issuing payment bank licenses to several fintech companies
• Strategic launch of UPI solutions like BHIM by GOI, and also enabling large private players like Google Pay, Amazon Pay, PhonePe, etc to enable hassle-free digital transactions
• Aadhar-based payment solutions are strongly emerging strongly within the Indian market like AePS, Aadhar Pay, signifies the potential scope of completing digital payments even with feature phones.
• Incentivizing consumers
• The RBI reducing or terminating the cross transaction cost for bankers and UPI solutions to encourage them to scale back the cost of transaction to the end-users.
Market drivers

In the current scenario,
• The process of mobile banking, IMPS solutions possesses simplified
• Increasing number of ecommerce companies offering their services within the rural segments
• Direct and indirect initiatives from government towards improving banking services, compliance standards
• Issuance of 'RuPay cards' linked with Jan Dhan accounts (Zero balance accounts)
• Kisan Credit cards issued to farmers, drive in terms of enabling Post zand Biometric solutions to rural merchants.

The subsequent reasons have lead to the increase in the acceptance of the new trends of commercial banks among the rural areas.

1. Trustworthiness: Nowadays, trustworthiness is earned online; customers choose their banks supported their perceptions of the institution. The way a financial organization displays itself online has an impact on their perception. Banks are going to be able to develop confidence in the eyes of the public if they are able to execute some decent web marketing. There are some ways to develop a relationship with a customer, but one strategy particularly has yielded excellent results.
2. Getting new clients is a smaller amount expensive and easier. Consumers require banks even as much as banks require customers. As a result, financial institutions cannot take a passive
approach to attracting financial services customers. The great news is that there is less
expensive and simpler for attracting these customers to your business. The online digital solutions provide excellent channels for reaching out to these potential customers directly through their devices. This makes it easier to influence them, which increases the likelihood that they're going to come to you. It is also known as Content Marketing, and it is the new buzzword. It increases interaction and builds confidence among prospects and customers.
3. Personalized Offering: As a result of digital transformation, financial institutions can better understand what their customers want. They’ll tailor their financial services and offers to meet the needs of their customers rather than relying on guesswork. Banks may now increase client reference to customized services thanks to new creative technical breakthroughs.
4. Facilitates Innovation and Adaptability: Digital Transformation enables financial institutions to reply to technological and market developments and grow their operations with incremental success. Only through upgrading an establishment it will able to meet the needs of the next generation of clients. The increase of shopping portals, social media platforms, and integrated mobile apps has given banks new avenues to succeed in out to their clients. Banking institutions must embrace the digital world by undergoing a digital transformation. A desirable statistic is people are more inclined to watch a three-minute YouTube video than read a lengthy brochure. As a result, videos are getting increasingly popular because they are very engaging. Together with videos, firms have begun to use a spread of other kinds of digital marketing.

 **III. Conclusion**
The Indian government has been long trying to enter the realms of a cashless economy and fully incorporate digital payments as a universally accepted mode of transaction, even within the rural pockets of the country. But it had been only in the bleak times, hauled by the Covid-19 pandemic, that monetary digitalization picked up the pace. It emerged as a silver lining for the digital financial sector in India. to supply a digital push, specifically in rural India, the Ministry of Electronics and IT (MeitY) launched a scheme called “Digital Finance for Rural India: Creating Awareness and Access through Common Service Centres (CSCs)”. It aimed towards setting CSCs as Digital Financial Hubs, by spreading awareness regarding government policies and digital finance options available for rural citizens. To thrust the project with the specified velocity, the government put in a liberal investment of 65.625 crores to popularize different digital financial services like IMPS, UPI, Bank PoS machines etc. The financial inclusion drive was off to a slow start due to infrastructural challenges, but soon, the attitude towards technology changed with the arrival of more suppliers and schemes powered by both public and private sectors. Therefore we will expect that more advancement in the banking sector will also be accepted in the rural are slowly but steadily in the future also.