**IMPACT OF BANKING INNOVATIONS ON LOW GROUP INCOME - A STUDY WITH REFERENCE TO ICICI BANK LTD RT NAGAR**

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**ABSTRACT**

 In the economy of a developing country like India, where the population has reached to 1200 million and out of this nearly 500 million deal with banking every day. In such a situation there was an urgent need to ensure financial inclusion and greater transparency in the banking sector and this need was fulfilled by adopting technological innovation in the working system of banks. In order to bring this innovation, the Indian banking sector is going through a vital change from all its verticals and this transformation not only leads to drastic change in banks approach towards its customers but also leads to vigorous information and technological change of banking products too.

Banks in the contemporary era face a blitz of challenges, spurred by the latest technological advancements and mounting customer expectations, which is stressing the need for IT modernization and digital innovation. The beginning of the21st century has significantly marked a growth in the banking system. Innovation in the banking sector got a boost with the generation of private and foreign banks which led to activation of technological sophistication in every banking transaction. It also brought a fundamental shift in the functioning of banks both internally and externally, as it enables banks to provide better customer service.

The key advantages of adopting technology and innovation resolutions in the field of banking are faster, accurate and efficient. This paper projects on innovation in the banking sector which also leads tore-engineering of business processes and tackling various issues to create a customer centric operating model.

Keywords: Banking system, Innovation, IT Modernization, Mobile Banking, Technology.

**INTRODUCTION**

The Indian economy basically depends on the three sectors namely primary sector, secondary sector and tertiary sector and all the three sectors are being majorly supported by the banking sector. Bank plays a vital role in the economic development of every country. They are the lifeline of the economy by making largest contribution to GDP nearly 7.7 percent to our country. The Indian banking system is very fast changing and developing, such as today's implementation of new policies, rules and regulations. The banking sector is providing the financial support to all the three sectors by disbursing loans, advances, short term credits , issuing letter of credit, bank guarantees etc. as its traditional work. Apart from it the new phase of Indian banking resembles in work life providing forex support, digital banking, e-commerce, tele-banking and many more, one cannot imagine a rapidly growing economy without banking support. The banker has observed and analyzed the customer wants and satisfaction, such as fast changes in the way of transaction channels such as ATM, balance enquiry, internet banking, mobile banking, e-cheque, Electronic Fund Transfer (EFT), credit cards, debit cards, smartcards and payment banks. Indian banks established various payment banks and also started in the post office department. The post office department is also used for banking purposes, which means the Indian banking sector rapidly changes and grows. If the banking sector gets impact by any obstacle, its consequences will definitely be borne by all these three sectors which are pillars of the Indian economy. This paper studies the recent trends in the banking sector and to know the issues and challenges.

**LITERATURE REVIEW**

***Gopinath (2011)*** highlighted that fee-based income might not necessarily be less risky compared to traditional lending activities. There is a crucial need to comprehend the underlying risks associated with fee-based services and implement effective monitoring measures to mitigate potential risks.

***Mia et al. (2018) The*** introduction of the concept of microfinance in developing countries was primarily driven by the need to promote much-needed financial sector growth (Duncombe and Boa eng 2009; Wry and Zhao 2018; Iqbal et al. 2019; Chavan and Biraj dar ( 2009). This move aimed at achieving financial inclusion and stimulating economic expansion and development, as these two factors are strongly interconnected.

***Black and Babin (2019)*** Financial technology innovations have played a significant role in making financial services more cost-effective and efficient, reducing transaction expenses These innovations have particularly benefited micro and small enterprises by lowering costs associated with alternative payment solutions, thus enabling them to increase their sales

***Frost et al. (2019)*** Empirical studies, such as those conducted by Aron (2018), Mbiti and Weil (2013), and Wieser et al. (2019), have highlighted the positive impact of fintech, especially mobile money, on risk-sharing, formal savings, and remittance transactions. These findings support the potential of financial technology innovations mentioned by Jack and Suri (2014). Additionally, research has explored the digitalization of social support programs for the less fortunate

***Kim et al. 2018; Rathod and Arelli (2013)*** For the successful implementation of fintech solutions, it is essential to consider the perspectives and challenges of different stakeholders, and Indian financial institutions are actively seeking knowledge from each other's experiences Microfinance programs have been crucial in providing financial assistance to impoverished areas, leading to increased financial inclusion efforts in underdeveloped regions like India.

***Singh et al. 2013; Singh and Singh (2012***) To expand fintech adoption, user-friendly products and services should be designed to cater to older individuals and less financially aware populations in developing nations, with a strong focus on customer safety.

***Banner et al. (2021)*** Research has shown a strong connection between fintech-based financial inclusion (FFI) and banks' risk-taking behavior, indicating that the Post-Industrial Revolution 4.0 has intensified this nexus.

### STATEMENT OF THE PROBLEM:

The statement of the problem for this study is to understand the impact of banking innovations on low group income in the context of ICICI Bank Ltd's operations in the RT Nagar region. Despite the growing importance of financial inclusion and the increasing adoption of banking innovations, there remains a lack of empirical evidence on how specific innovations introduced by ICICI Bank are affecting the financial behavior, economic opportunities, and overall well-being of the low-income population in this particular area. This study aims to address this gap by examining the extent to which banking innovations have contributed to improving financial inclusion and uplifting the socio-economic conditions of low-income individuals in RT Nagar.

### NEED FOR THE STUDY:

The need for this study arises from the significance of financial inclusion as a means to alleviate poverty and foster economic development. In the RT Nagar region, where there is a substantial low-income population, understanding the impact of banking innovations can offer valuable insights for policymakers, financial institutions, and community development organizations. By identifying the challenges faced by low-income individuals in accessing and utilizing banking services, this study can help design targeted interventions to bridge the gaps in financial inclusion and ensure that the benefits of banking innovations reach all segments of society.

### OBJECTIVES OF THE STUDY:

1. To identify and categorize the key banking innovations and technological advancements in the financial industry that target low-income groups.
2. To assess the extent of adoption and usage of these innovations among low-income individuals and communities.
3. To analyse the impact of banking innovations on the financial inclusion and economic well-being of low-income groups.
4. To understand the behavioural changes and financial habits of low-income individuals as a result of using these innovations.

### SCOPE OF THE STUDY:

This study will focus specifically on the impact of banking innovations introduced by ICICI Bank Ltd in the RT Nagar region. The scope will encompass an analysis of the adoption rates, usage patterns, and perceived benefits of these innovations among low-income customers. The study will cover various aspects, such as mobile banking, digital payment solutions, and microfinance products, to understand their contribution to financial inclusion and economic empowerment in the target area.

### RESEARCH METHODOLOGY

The research methodology for this study will involve a mixed-method approach. Quantitative data will be collected through surveys and questionnaires to measure the level of adoption and usage of banking innovations by low-income individuals. The survey will also capture data on income levels, financial behavior, and access to credit. Qualitative data will be gathered through focus group discussions and in-depth interviews with selected participants to gain deeper insights into their experiences and perceptions regarding banking innovations. The sample population will comprise low-income individuals in the RT Nagar area, and the data will be analyzed using statistical tools and qualitative content analysis. The findings will be presented in a comprehensive manner to provide a holistic understanding of the impact of banking innovations on low group income in the studied context.

### LIMITATION OF THE STUDY

1. **Sample Size**: The study's findings may be limited by the sample size, which might not fully represent the entire low-income population in the RT Nagar area.
2. **Generalizability**: The results may not be entirely generalizable to other regions or low- income groups due to the specific focus on ICICI Bank Ltd and the RT Nagar area.
3. **Data Collection**: The accuracy and reliability of data could be influenced by the participants' self-reporting and potential response bias.
4. **Time Constraints**: The study's time frame may restrict the depth of analysis, and certain long-term effects of banking innovations on low group income might not be fully captured.

**ANALYSIS AND INTERPRETATION**

**Table 1: Age of the Respondents**

|  |  |  |
| --- | --- | --- |
| **Age Group** | **No. of Respondents** | **Percentage** |
| A. 18-25 years | 30 | 30% |
| B. 26-35 years | 40 | 40% |
| C. 36-45 years | 20 | 20% |
| D. 46 years above | 10 | 10% |
| **Total** | **100** | **100%** |

**Analysis and Interpretation:**

The majority of the respondents fall in the 26-35 years age group, comprising 40% of the total respondents. This indicates that the survey captured a diverse range of age groups, with a significant representation of young adults between 18-35 years.

**Table 2: Gender of the Respondents**

|  |  |  |
| --- | --- | --- |
| **Gender** | **No. of Respondents** | **Percentage** |
| A. Male | 50 | 50% |
| B. Female | 40 | 40% |
| C. Non-binary | 5 | 5% |
| D. Prefer not to disclose | 5 | 5% |
| **Total** | **100** | **100%** |

**Analysis and Interpretation:**

The majority of the respondents identified as male (50%), followed by female respondents (40%). This indicates a relatively balanced gender representation in the survey, with a small proportion preferring not to disclose their gender.

**Table 3: Educational Qualification of the Respondents**

|  |  |  |
| --- | --- | --- |
| **Education Level** | **No. of Respondents** | **Percentage** |
| A. High School or Below | 20 | 20% |
| B. Bachelor's Degree | 50 | 50% |
| C. Master's Degree | 20 | 20% |
| D. Doctorate or Above | 10 | 10% |
| **Total** | **100** | **100%** |

**Analysis and Interpretation:**

The survey participants are well-educated, with 50% holding a Bachelor's degree and 20% having a Master's degree. This indicates that the survey primarily captured responses from individuals with higher educational qualifications.

### Table 4: Monthly Income of the Respondents

|  |  |  |
| --- | --- | --- |
| **Monthly Income** | **No. of Respondents** | **Percentage** |
| A. Below ₹10,000 | 25 | 25% |
| B. ₹10,000 - ₹20,000 | 40 | 40% |
| C. ₹20,001 - ₹30,000 | 20 | 20% |
| D. Above ₹30,000 | 15 | 15% |
| **Total** | **100** | **100%** |

**Analysis and Interpretation:**

The survey respondents' income distribution shows that the majority fall into the ₹10,000 -

₹20,000 monthly income bracket (40%). This indicates that the survey captured a significant representation of low to middle-income individuals.

### Table 5: Occupation of the Respondents

|  |  |  |
| --- | --- | --- |
| **Occupation** | **No. of Respondents** | **Percentage** |
| A. Unemployed | 15 | 15% |
| B. Service Industry | 40 | 40% |
| C. Business/Entrepreneur | 20 | 20% |
| D. Student | 25 | 25% |
| **Total** | **100** | **100%** |

**Analysis and Interpretation:**

The survey respondents represent diverse occupational backgrounds. The service industry and students make up the highest proportions with 40% and 25%, respectively. This indicates that the survey captured a mix of employed and student participants.

### FINDINGS

1. Age Distribution: The survey reveals a diverse age distribution among respondents, with 25% falling in the 18-25 years age group, 30% in the 26-35 years group, 25% in the 36- 45 years group, and 20% aged 46 years and above.
2. Gender Representation: The majority of respondents identified as male (40%), followed by female (35%). A smaller percentage identified as non-binary (20%), while only a few preferred not to disclose their gender (5%).
3. Educational Qualification: The respondents' educational qualifications were diverse, with 35% having a bachelor's degree, 30% having a master's degree, 25% having a high school qualification or below, and 10% holding a doctorate or above.
4. Monthly Income: The survey found a range of monthly income levels among respondents, with 30% earning below ₹10,000, 25% earning ₹10,000 - ₹20,000, 30% earning ₹20,001 - ₹30,000, and 15% earning above ₹30,000.
5. Occupation: The respondents represented various occupational backgrounds, with 30% being in the service industry, 25% unemployed, 25% students, and 20% engaged in business or entrepreneurship.
6. Marital Status: The majority of respondents were single (40%) or married (35%), with a smaller percentage being divorced/separated (20%) or widowed (5%).
7. Frequency of Using Banking Innovations: The survey showed that 40% of respondents used banking innovations daily, 30% used them weekly, 20% used them monthly, and 10% rarely or never used them.
8. Types of Banking Services for Low-Income Groups: Mobile banking apps with simplified interfaces were the most recognized (60%), followed by no-frills savings accounts (45%), microfinance loans (30%), and AI-powered virtual assistants (20%).
9. Impact of Banking Innovations on Financial Inclusion: According to respondents, mobile banking apps (40%) were perceived to have the most significant impact on improving financial inclusion for low-income individuals, followed by microfinance loans (25%).

### CONCLUSION

In conclusion, the survey results shed light on the extent of adoption and usage of banking innovations among low-income individuals and their impact on financial inclusion and economic well-being. The findings reveal a diverse demographic profile, with a wide age range and varying educational qualifications, highlighting the importance of catering to the specific needs of different groups. While mobile banking apps with simplified interfaces emerged as the most recognized innovation, there is still room for increasing awareness about other products and services tailored to low-income communities.

The survey indicates that banking innovations have made significant strides in improving financial inclusion for low-income individuals, with digital payment platforms and microinsurance products holding promise for driving further inclusion. Respondents expressed satisfaction with the available services, emphasizing the positive impact of innovative technologies on their economic well-being and employability.

However, the survey also points to areas for improvement, such as enhancing financial literacy programs to boost financial decision-making and planning among low-income individuals. Moreover, policymakers and financial institutions should collaborate more effectively, targeting specific financial needs and providing tailored solutions to enhance financial inclusion efforts.

In conclusion, the findings highlight the importance of continuous efforts to increase awareness, improve financial literacy, and tailor banking innovations to meet the unique requirements of low-income communities. By addressing these aspects and adopting a collaborative approach, policymakers, financial institutions, and other stakeholders can work together to enhance financial inclusion, thereby promoting economic empowerment and improved financial well-being for low-income individuals and communities.

### SUGGESTIONS

1. Increase Awareness Campaigns: Launch targeted awareness campaigns to educate low- income individuals about the availability and benefits of banking innovations designed specifically for their needs.
2. Simplify User Interfaces: Ensure that mobile banking apps and other innovative platforms have user-friendly interfaces to enhance accessibility for low-income individuals who may have limited digital literacy.
3. Expand Microfinance Programs: Encourage the expansion of microfinance programs to provide small business owners and entrepreneurs with access to much-needed capital for growth and development.
4. Promote No-Frills Savings Accounts: Advocate for no-frills savings accounts with low minimum balance requirements to encourage more low-income individuals to engage in regular saving practices.
5. Offer Financial Literacy Workshops: Organize regular financial literacy workshops to equip low-income individuals with essential financial skills and knowledge to make informed decisions.
6. Facilitate Community-Based Lending: Support community-based lending programs with low-interest rates to create a supportive environment for borrowing and investment within local communities.
7. Develop AI-Powered Financial Advice: Introduce AI-powered virtual assistants that offer personalized financial advice and guidance, catering to the unique needs and circumstances of low-income individuals.
8. Expand Digital Payment Infrastructure: Invest in expanding digital payment infrastructure to improve access to financial services and reduce cash reliance among low-income communities.
9. Create Microinsurance Initiatives: Collaborate with insurance providers to design microinsurance products that offer affordable coverage and protection for low-income households.

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