

Innovative Practices in Financial Services

Dr. D. S. Borkar

Associate Professor, Dept. of Commerce,
Shahu Mandir Mahavidyalay, Parvati, Pune
borkards.72@rediffmail.com

Abstract: *The expansion and development of any nation's economy depend on financial services. The long-term prosperity of emerging economies depends on efficient financial systems that prioritize financial inclusion. The objective of this paper is to take an overall view of the impact of the innovative practices using advanced technologies followed by the financial services providers. The focus of the financial services sector is a segment of the economy committed to offering financial services to individuals and corporations. India has a strong base of banking; insurance companies, spread across the nation. Indian capital market as well as mutual fund companies are also well developed and attracts foreign direct investments. With the adoption of the economic reforms and globalization the Indian financial services providers have adopted advanced technology in their day-to-day operations due to which they have improved their capability to compete with their foreign counterparts providing similar services. Indian IT human resources have achieved an international fame in introducing several products which result in improving the services rendered by the financial service providers. This has enabled the financial service providers have been able to introduce several new products to bring in tailor made products to suit individual's requirement. India's digital penetration and adoption of these new technologies have influenced on their services reach even in the interior parts. Increased business, lower costs, transparency, the use of technology to train investors, transaction time savings, and the ability for investors and financial service users to access services without physically visiting the offices of investment consultants are all indications of the impact of innovative services on the financial sector. Continuous system and procedure improvement allows service providers to create new goods that satisfy customers and increase the flexibility of the systems. This also applies to financial services*

Keywords: Financial services, innovative practices, improved productivity, and business levels.

1. Introduction

Financial services are essential to the growth and development of any country's economy. Effective financial systems that put financial inclusion first are essential to the long-term success of emerging economies. Financial inclusion is crucial for fostering economic growth, employment, the economic empowerment of society's poorer groups, and the alleviation of poverty. **Banking, insurance, capital markets, and investment management are examples of financial services.** It facilitates the proper use of resources by acting as a middleman between the borrower and the saver. Banks, credit unions, and insurance firms are the main organizations in the financial sector. A portion of the economy devoted to providing financial services to people and businesses is the emphasis of the financial services sector. Banks, investment houses, lenders, finance businesses, real estate agents, and insurance companies are just a few of the financial organizations that fall under this category.

Current scenario of Financial Services 2025

India has a big banking sector. As of 31st March 2025, there are 12 functional public sector banks (PSBs) in India, which have witnessed improved asset quality with gross non-performing assets (GNPAs) falling to 2.58%. While total bank branches nationwide exceeded 1.65 lakh by late 2024, PSBs alone maintain a widespread network, including over 22,700 branches for SBI and 10,000+ for PNB. source: RBI, 31st March 2025.



Over 40 Mutual Fund Asset Management Companies (AMCs) were registered as of early 2025, and by late 2025, the industry's AUM will have grown to over ₹80 trillion. Major companies like SBI, ICICI Prudential, and HDFC dominate the market, although new competitors are constantly entering it. - source: AMFI to be updated as of 31.03.2025

There are roughly 74 registered insurers in India as of March 31, 2025. There are eight independent health insurance businesses, twenty-six life insurance companies, and twenty-five general insurance companies in the market. Reinsurance firms and specialty insurers are also part of the industry.

Life Insurance Companies: 26 (including LIC and private players)

General Insurance Companies: 25 (including public and private insurers)

Standalone Health Insurance Companies: 8

India's financial services industry is the nation's primary development engine in 2026 thanks to 100% FDI in insurance, greater credit flow to MSMEs, and growing digitization (UPI, FinTech). By boosting financial inclusion, advancing digital payments to 65% by 2026, and encouraging capital formation, the sector ensures robust, technology-driven, and equitable economic development.

In 2026, the financial services industry will play a crucial role in strengthening the Indian economy by:

FinTech Innovation and Digital Transformation Accelerated: The Indian FinTech industry is expected to reach US\$421 billion by 2029. Blockchain and AI-powered services are boosting efficiency, reducing costs, and providing speedy, secure transactions.

Increasing Financial Inclusion: A significant effort to integrate rural and unbanked people into the formal economy includes initiatives to digitize KYC and flood Jan Dhan accounts.

Consolidation of Capital Markets and Investment: A strong regulatory framework (SEBI) and higher foreign investment restrictions (up to 100% FDI in insurance) are drawing steady, long-term funding to support manufacturing and infrastructure developments.

Support and credit flow to MSME Sector: MSMEs, which are essential for employment and GDP growth, are being empowered by tailored lending programs like MUDRA loans and Credit Guarantee Fund Schemes.

Increasing Wealth Management: Domestic capital mobilization is rising due to a structural shift in millennials' and Gen Z's investment behaviour toward mutual funds and equity, which is aided by digital platforms.

These programs, along with an emphasis on financial literacy and risk management, are placing the financial services industry as the foundation of India's swift economic growth in 2026.

IMPORTANCE OF FINANCIAL SERVICES IN BOOSTING THE INDIAN ECONOMY

Efficient use of resources is guaranteed by financial services. It guarantees adequate rationing that results in solid finances, enabling people and businesses to thrive based on financial services. By emphasizing both savings and investment, the financial services industry actively fosters economic growth and development. By providing a variety of financial products and services, it promotes a culture of saving and motivates people and businesses to make wise investments, laying the groundwork for long-term economic growth. By minimizing risks and optimizing profits, the financial services industry fosters stability and expansion while boosting trust in navigating the financial landscape. Because it generates tax money and contributes to the general health of the economy, the financial services industry greatly benefits the government. The financial services industry is essential to supporting business growth.

OBJECTIVE

Every day, technology is evolving at a very rapid pace throughout time. In every aspect of life, we discover that these shifts are generating new dimensions that are altering the established conventional systems. This also applies to financial services. Increased efficiency and the emergence of new business models are the results of technology. Indian financial services have undergone a transformation because of it. Understanding the changes that have occurred since the introduction of newer technology and its many applications is the aim of this research.



RESEARCH METHODOLOGY

This study's descriptive and analytical research design is entirely reliant on secondary data analysis. The descriptive component helps explain how much technology and innovations are used by the financial services industry, while the analytical component evaluates their significance.

REVIEW OF LITERATURE

Formisano Vincenzo et al (2025) conducted study of "Innovation in Financial Services: A Challenge for Start-Ups Growth" and have concluded that the project produces income and employment benefits, particularly in some industries. They also concluded that innovation is necessary for both local community development and economic progress, and that the analysis validates the benefits produced by the BPC (the organization they researched) efforts at various levels. Jafar Abbas and others (2024) concluded that financial innovation and digitalization promote business growth: The interplay of green technology innovation, product market competition, and firm performance. Anmol Gulati and Sultan Singh (2024) have concluded that technologies that have permeated the financial industry, assisting financial institutions and service providers in developing new financial services and products using blockchain, machine learning, and sophisticated analytics. Bellucco, 2022; Rahayu et al., (2022) have stated that the term "financial technology" refers to technological developments that enhance customer service delivery and utilization. E-money, peer-to-peer lending, cryptocurrencies, crowdfunding, remittances, robot advisers, and online insurance services are a few examples of fintech services.

ROLE PLAYED BY THE FINANCIAL SERVICES IN THE INDIAN ECONOMY

The financial services industry has developed into the "digital plumbing" of the Indian economy in 2026, transitioning from a time of swift upheaval to one of steady expansion and structural stability. The industry is the main force behind India's ambition to become a \$5 trillion economy, making up almost 25% of the country's public market value. This year is characterized by the widespread use of Agentic AI, as financial institutions have progressed from basic chatbots to self-sufficient digital workforces that conduct intricate loan underwriting, fraud detection, and customized wealth management. Formal credit is now ambient, easily included into regular transactions for even the smallest retail purchases, thanks to the expansion of the e-rupee (CBDC) retail sandbox and the successful scaling of Credit on UPI. Additionally, the industry has played a pivotal role in financial inclusion, with 97.6% of bank accounts now fully insured and specialized NBFCs providing critical liquidity to MSMEs, ensuring that India's growth remains inclusive and resilient against global volatility.

INNOVATIONS IN FINANCIAL SERVICES

BANKING SECTOR

The banking industry is the prime financial service which is availed by almost all the families and businesses. Today the banking services have reached every nook and corner of the country. This has been possible because of the adoption of the technology by the banks. It started with the automation, ledger posting machines etc. and now with the advent of time and the innovation of advanced digital technology the entire banking scenario has undergone a sea change. The banks are extensively using the technology to facilitate each customer service. Today the services are available 24/7. Services like Any Time Money (ATMs), Cheque drop facility, mobile banking, use of mobile Apps like PhonePay, GPay, Bhim, transfer of funds through Real Time Gross Settlement, (RTGS), National Electronic Funds Transfer (NEFT), Chatbot - an AI-powered, 24/7 virtual assistant that simulates human conversation via text or voice to handle customer service, account queries, and transactions. In this changed scenario customer is hardly required to visit a branch of the bank as he can avail of these services on his android mobile phone.



Following are the current trends in Indian banking

Cybersecurity & Fraud Prevention:

The cyber-attack surface is growing due to the quick use of digital financial services like lending, credit services, digital payments, treasury management, and more. The goal of banking or cyber financial frauds, which can take many different forms, is to obtain your financial and private information for unauthorized access. You, I, or anyone else could fall victim to cyber fraud. The term "cyber security" refers to a variety of procedures and tools intended to defend data, networks, and systems against cyberattacks. Banks are using multi-factor authentication (MFA) to add an additional layer of security beyond passwords to counter these threats.

AI-driven Banking Automation

The modernization of financial services now heavily relies on banking automation. Automation helps banks save expenses, improve customer experiences, and streamline processes as the demand for digital, quicker, and more effective banking increases. By simplifying procedures like forecasting, financial reporting, and budgeting, automation is revolutionizing bank finance departments. Chatbot is one such AI driven tool through which the banks can educate the customers as well as introduce the various services and update the customers faster and that too at a minimal cost.

Digital Currency

A digital currency is money that exists exclusively in electronic form and is managed, stored, and exchanged using computer systems. Stablecoins, cryptocurrency, and central bank digital currency (CBDCs) are the three main categories of digital currencies. India's CBDC, called the **Digital Rupee (e₹)**, is a sovereign currency issued by the Reserve Bank of India that holds the distinctive advantage of trust, liquidity, settlement finality, and integrity.

Real-Time Payments:

Real-time payments (RTP) allow for immediate, round-the-clock electronic financial transfers and final settlement between bank accounts in a matter of seconds as opposed to days. Real Time Gross Settlement, (RTGS), National Electronic Funds Transfer (NEFT),

Banking-as-a-Service

Through API integration with traditional banks, Banking-as-a-Service (BaaS) enables FinTechs and non-bank companies to provide digital banking services (loans, cards, and accounts). This strategy eliminates the requirement for third parties to obtain their own banking licenses by allowing them to use already-licensed infrastructure to offer tailored financial products.

Open Banking

Open banking is a safe system that encourages competition and innovation by allowing banks to exchange financial data with approved third-party providers via APIs with express user authorization. It makes it possible for customized services like rapid loans, "pay-by-bank" transfers, and budgeting apps, making money management more integrated and individualized. E.g. Payment Banks

Neobanks

In India, neobanks are digital-only financial platforms (such as Jupiter, Fi Money, Niyu, Razorpay X, and Open) that provide banking services through mobile apps. They collaborate with licensed traditional banks (such as ICICI and HDFC) to offer accounts, payments, and budgeting, catering to tech-savvy consumers with streamlined, affordable, app-first experiences without physical branches and upending traditional banking with contemporary fintech.



Embedded Finance

The smooth incorporation of financial services (including lending, insurance, and payments) into non-financial organizations' digital platforms or applications is known as embedded finance. Customers can now access financial tools without being sent to a different bank or financial institution, all inside the framework of their current user journey.

Customer Data Analytics

To comprehend behaviour, preferences, and trends, customer data analytics entails gathering and analysing data from consumer interactions across a variety of touchpoints, including websites, social media, and CRM systems. Businesses may improve customer experiences, lower churn, boost ROI, and optimize marketing campaigns by examining this data. This data, companies can optimize marketing strategies, enhance customer experiences, reduce churn, and increase ROI

Digital Identities

Digital identities are sets of verifiable electronic data, including passwords, biometrics, or identification numbers (like Aadhaar), that are used to uniquely identify individuals, groups, or devices on the internet. They facilitate fraud protection, access control, and safe, remote service authentication.

Performance of Indian Banking sector during 2022-2025

India's banking sector (2022-25) experienced record profitability, shrinking non-performing assets (NPAs), and robust credit growth. Public Sector Banks (PSBs) saw net profits rise from ₹1.05 lakh crore (FY23) to ₹1.78 lakh crore (FY25), while Scheduled Commercial Banks (SCBs) achieved a record ₹4.01 lakh crore profit in FY25, supported by improved asset quality

INSURANCE SECTOR

In recent years, the insurance industry has grown significantly, and insurance coverage has become both a necessity and a lifeline. In recent years, the insurance industry has seen a spectacular upheaval thanks in large part to technology. From automating underwriting processes and bolstering fraud detection to enhancing customer satisfaction through customized insurance and straightforward claim processing, technology has transformed the industry in numerous ways. In recent decades, the insurance industry has seen significant changes because of rapid technology advancements. Historically, the business sector has relied on a complex web of manual processes, including a substantial amount of paperwork and manual data entry. Along with data analytics, the insurance industry has also changed due to the use of AI and machine learning. Thanks to AI and machine learning, insurance companies can now automate procedures like customer service, fraud detection, and claims processing. Many insurance companies are investing in digital tools and platforms, such as online self-service portals and mobile applications, to improve the customer experience. Increased efficiency and cost reductions are two of the most significant ways that technology is transforming the insurance sector. There are benefits and potential drawbacks to the growing use of technology, but technology will remain important to the insurance sector for some time to come.

Performance of Indian Insurance sector during 2022-2025

India's insurance sector showed robust growth from FY23 to FY25, with non-life premiums reaching ₹3.08 lakh crore in FY25 (6.2% YoY growth) and life insurance witnessing 13% growth in FY23. While penetration dipped slightly to 3.7% of GDP in FY24, per capita premium increased, with Standalone Health Insurers (SAHIs) growing at a 32% CAGR.

Overall Market: India is the 10th largest insurance market globally, projected to be the 6th largest within a decade. The industry is rapidly shifting towards digitization and is poised for a 10% annual growth rate from 2024 to 2028.



Core Industry Statistics (FY 2022-23 to FY 2024-25)

Metric	FY 2022-23	FY 2023-24	FY 2024-25
Total Premium Income	₹ 10.35 lakh Cr	₹ 11.19 lakh Cr	Not fully reported*
Insurance Penetration	4.0%	3.7%	2.7% (Life) / 1% (non-life)
Insurance Density (USD)	\$92	\$95	\$97
Life New Business Premium	₹ 3.71 lakh Cr	₹ 3.78 lakh Cr	₹ 3.97 lakh Cr

Source: Google search

MUTUAL FUNDS

Technology has been instrumental in extending the accessibility of mutual funds to various Indian areas and demographics. To invest in funds in the early 1990s, investors had to go to mutual fund offices or rely on distributors. Investors were later able to conduct business online from the comfort of their homes thanks to the development of internet banking. This opened the door for India's online mutual fund distribution approach. It has fuelled enormous growth in the industry by greatly expanding access, making investing easier, and increasing transparency. The positive effects of technology on mutual fund investments and financial inclusion are expected to increase significantly over the next ten years as it spreads throughout India.

Performance of Indian Insurance sector during 2022-2025

The Indian mutual fund industry experienced unprecedented growth from FY23 to FY25, driven by massive retail participation, the popularity of Systematic Investment Plans (SIPs), and strong equity market performance. The total Assets Under Management (AUM) surged, with the industry crossing the ₹65 lakh crore mark by the end of March 2025. (Ref. AMFI, ICICI direct, Bajaj FinServ Reports)

CAPITAL MARKET

Financial markets are becoming easier to understand, more accessible, more extensive, and more productive thanks to technology. These days, brokers can complete an arrangement in nanoseconds far more quickly than a human. People are using this trading strategy to buy and sell stocks at the same time, often completing a full cycle of buying and selling in a matter of minutes. Artificial Intelligence (AI) and natural language processing are two innovations that have the potential to alter the financial markets soon. The financial markets offer software for speech analysis of recorded calls at brokerages, investment banks, and even on the consumer side. It can swiftly ascertain how to distinguish between fraud and irregularities. Software for speech analysis of recorded calls at investment banks, brokerages, or even on the consumer side is available in the financial markets. It can quickly determine how to differentiate between anomalies and frauds.

INFLUENCE OF THE INNOVATIVE SERVICES ON THE FINANCIAL SECTOR

The influence of the innovative services on the financial sector has reflected in the increased business, reduction in the costs, transparency, use of the technology in providing training to the investors, saving in transaction time and the investors / users of the financial services can avail the services even without visiting the investment consultant's offices.



CHALLENGES AHEAD

Falling Current Account Savings Account ratios reduce the pressure on net interest margins (NIMs).

Unsecured loans drive 53 per cent of retail slippages

36 per cent growth in fintech credit Y-o-Y, (70 per cent unsecured)

Digital frauds, particularly those involving UPI, have increased.

Vulnerability is increased by legacy systems and low financial knowledge.

SUGGESTIONS EMERGED DURING THIS STUDY

Establishment of a dedicated agency on the lines of NHB for refinancing the loans granted by NBFCs

Simplification of SARFAESI provisions relating to enforcement norms for NBFCs.

To boost the savings, lower the income tax rates on fixed deposits.

Governments frequently employ "fiscal support for private capex (capital expenditure) revival" and "strengthening financial system resilience" as two cornerstones of a strategy to shift from a state-led recovery to a self-sustaining, private-sector-led growth engine. The government frequently performs the "heavy lifting" by constructing roads and bridges (Public Capex) following an economic downturn. But the private sector needs to take over for sustained growth. If companies are reluctant because of high expenses or global uncertainty, the government steps in.

Adopt a "resilient" financial system, which is one that can endure external shocks (such as a pandemic or a worldwide recession) without collapsing or halting the flow of credit to the economy.

2. CONCLUSION

Modernizing organizational processes, increasing agility, and cutting costs all depend on the incorporation of cutting-edge technology. Numerous aspects of the economy, particularly the financial services sector, have seen substantial changes because of the introduction of technology. Financial services must be streamlined through digitalization to secure their future. Financial markets are becoming easier to understand, more accessible, more thorough, and more productive thanks to technology. Improvement in the systems and procedure is a continuous process which enables the service providers to design new products to satisfy the users and make the systems more flexible. Financial services are not exception to it.

REFERENCES

- [1]. The digital (r) evolution of insurance business models, A Cappiello, American Journal of Economics, 2020
- [2]. Managing customer satisfaction: digital applications for insurance companies, C Eckert, C Neunsinger, K Osterrieder, Papers on Risk and Insurance, 2022
- [3]. Impact of Technology and Innovation in Insurance Sector, Ostagar Abdul Motin, 2019
- [4]. <https://www.bajajamc.com/knowledge-centre/impact-of-technology-on-mutual-fund-investments>
- [5]. Abdullah, E.M.E., Rahman, A. A., Rahim, R.A. (2008). Adoption of financial technology (Fintech) in mutual fund/ unit trust investment among Malaysians Unified Theory of Acceptance and Use of Technology (UTAUT). International Journal of Engineering and Technology. 7(2), pp 110-118.
- [6]. Manda, V. K., Rao, S.S.P. (2018). Blockchain Technology for the Mutual Fund Industry. SSRN Electronic Journal. pp12-17.
- [7]. Industrial Process Improvement by Automation and Robotics, MDPI, 2023.
- [8]. Research on the impact of digital transformation, ScienceDirect, 2024.
- [9]. What Are the Top Business Trends In 2026, Digital Silk, 2025.
- [10]. The Impact of Ai-Driven Automation on Employee Productivity, SSRN, 2025.
- [11]. Digital Transformation Meets Process Improvement, MDPI, 2025.

