IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Industry Policy 5. 0: A Breakthrough Novelty Towards Core Banking

Author's Name: Medhavi Bali Chakraborty, Research scholar

Co-Author's Name: Dr. Balaji.B Kamble Affiliation: Affiliated to University of Mumbai

Abstract

The modern age is the age of technology. Every industry is greatly affected due to technological equipment's like artificial intelligence, machine learning, internet of things and likewise. the physical form of industries is now transforming to its virtual counterparts for fulfilling the needs of the customers. Banking industry is no different. There has been a revolutionary change in the core banking activities as a result of introduction of the Industrial policy 5.0. this paper is an attempt to study these revolutionary changes and how it has affected the banking industry.

Introduction:

- **Industry policy 5.0**: Also known as the fifth Industrial revolution represent a prominent phase mixing therewith the Integration, Sustainability, Data analytics, Automation, Digitalization, Circular economy, customisation alongside human collaboration. The policy visions to induce AI technology with human inclusion togethering holistic social growth. It is phase that goes beyond the traditional manufacturing/ service providence and envisioning an industry that extends far beyond mere efficiency and productivity goals. This era lenses the perspective of holistic societal growth backed with technological support.

Industry 4.0 was driven by the technological upgradation in the nine main areas it includes:

- Additive manufacturing
- Augmented Reality (AR)
- Internet of things
- Cybersecurity
- Big Data and analytics
- Cloud
- Horizontal and vertical system integration
- Autonomous robots
- Simulation and digital twins

Industrial Policy 5.0 is no special addition but an upliftment of the same, by fostering the collaboration of Human element with robotics.

Principle elements defining Industry 5.0 are:

- **Humanitarian:** Here the focus is purely on the humans. The idea is not what people can do with technology but the idea is that technology can do for the people. The policy well understands that the machines excel in precision but lacks critical and creative thinking and decision-making skills link humans.
- **Sustainability**: another element of the industry policy 5.0 is to foster sustainable development by decreasing energy wastage, reducing greenhouse emission and taking preventive measures for preservation of natural resources.
- **Resilience**: resilience is a process to surpass the fragile issues relating to climatic change, trade wars, pandemic etc. Industrial policy focus on gathering data, analysing the risk and bringing improvements with human interventions hence creating a field or overcoming the challenges of the modern era.

- **Core banking**: banking is a process of accepting deposits from the public, parallelly allocating the funds to the business houses and ensuring that there is smooth financial flow in the economy. With the growing technological complexities, the challenges in the functioning of banks have also become more demanding. The banks are now required to perform many subsidiary functions at primary level to gain better customer acceptance. Some of these services being provided by the banks includes:
  - Making monthly/ cyclic payments on behalf of the customers
  - Performing trading activities
  - Options of mobile banking and internet banking
  - Providing bank e-bank statements
  - Easy application of bank loans
  - 24X7 Customer care/ grievance redressal centre etc

- **Novelty in the core banking activities:** there has a transforming change in the banking activities even since the introduction of technology. Long lines for the passbook entry have now narrowed to one click of form. There has been a swift change from traditional banking to using tools like mobile banking, internet banking etc.

Review of Literature

- **Iyer (2018)** made an analysis on **"Moving from Industry 2.0 to Industry 4.0: A case study from India on leapfrogging in smart manufacturing.".** The study was focused on transformation that took in the Indian economy from the period of License Raj to the time of generation of modernization. As per the researcher the early phase had a restricted policy that did not allow industries to grow on a large scale and gain a competitive advantage in terms of economies of scale. But now to meet the present expectation developing economy like India will have to put in efforts to bring man and machine together, he suggested that India's economic policy should focus on comparative advantage, critical technological development. For which we need to shift our education system from theoretical base to practical skill-oriented economy. The Smart Cities Mission is also highlighted in the research work, leading to developing digitally designing and manufacturing.

- **Bonilla et al (2018),** in the Artical titled;"Industry 4.0 and Sustainability Implications: A Scenario-Based Analysis of the Impacts and Challenges" it the study they concluded upon the cause effect relation of smart manufacturing with sustainable development. It is needed as in the new era consumers are more aware and believe in environment friendly products. The researcher have developed the concept that is expressed as environmental impact = f (population, affluence, technology).

- **Kuo et al (2019)** , performed an analysis on "Industrial revitalization via industry 4.0 - A comparative policy analysis among China, Germany and the USA". The study has been made on the economies of Germany, China and USA. As per the results USA favors demand side policy, concentrating on education and training whereas Germany, let a policy of scientific and technological development while china adapted environmental- side policy and public service policies. The outcome of the policy as per the researchers was planning integrating with revitalization of Industrial policy 4.0 can lead to fruitful results.

- **Sampath (2018)**, in the research paper titled "Industrial Policy 4.0 Promoting Transformation in the Digital Economy", had explained how Industrial policy 4.0 started in Germany in 2011, where production is no more at the mercy of unskilled labours but demands technologically updated skilled manpower. He suggested that Indian economy should be STEM (science, technology, engineering and math) centric, majorly spotlighting four pillars, to capture digital transformation, mentor data analysing asset, conserving and expanding employment opportunities, arrangement for digital technology.

Some novelty expected in the core banking activities

- **Personalisation powered by AI**: In the modern era consumer expectation is more on personalised and intuitive banking. To meet these unique requirements banks have introduced AI in the banking services. 72% of the customers rate personalisation as the key priority for continuity and loyalty towards bank. It includes financial advices as per the earning, reminders for bill payments, saving and spendings, providing AI tools to track on the goals and setting budgets
- **Robotic Advising**: now a days users don't need to jump between apps, they find everything at one place. All they expect is an ease in managing the investments, recurring forecast of the market tends, keeping a tracker on their investment growth. Banks have started providing these analytical results on the personalised portfolios of the customers.
- **Biometric and double password protection on security access:** statistical study shows that 80% of the e-banking users have security related issues. while 70% of the people keep easily crackable passwords. To overcome this, bank have now provided with biometric password protection that ensures much secured access to the customers.

  This technological implementation has built a stronger trust amongst the customers in relation to the banking services.
- **Sustainable and ethical banking:** these das as people are getting more conscious about the environmental sustainability, their preference onwards eco-friendly products have increased. The banks have initiated the same by providing e-statements, paperless transaction history, sustainable debit or credit cards. This vision has not just won the customer loyalty towards banks but has also helped in catering government support for green finance initiatives.
- **Contextual recommendation:** A visit to a bank branch for updating the bank statement is an outdated concept. Customers rather expect personalised financial advices for these financial institutions. Fulfilling the current expectations requires keeping a track on the recent transactions, capturing the spending patterns warning and reminder messages for the upcoming payments and sustainable financial advices for investments.
- **In-App educations for economic literacy:** currently about 40% of the baby boomers use the apps for handling their basic financial activities such as making bill payments, transfer of funds etc. in the AI era, the bank applications are designed in such a way that the provide the users with the educational content like budgeting tips, strategies of saving their finances, and investment plans etc. further there are many tutorials that are designed to educate the users to perform complex banking activities on their own.
- **Flexi- payment plans:** to add value to the banking services, these days the bank provide with multiple payment options like digital wallet, contactless payments, peer- to peer transfer, buy not pay later, Zero EMI plans, QR code payments, voice activation payments, subscription-based payments etc. this has brought great ease for the end users.

Research Objectives

- To find the impact of Industrial policy 5.0 on the core banking activities.

Research Methodology:

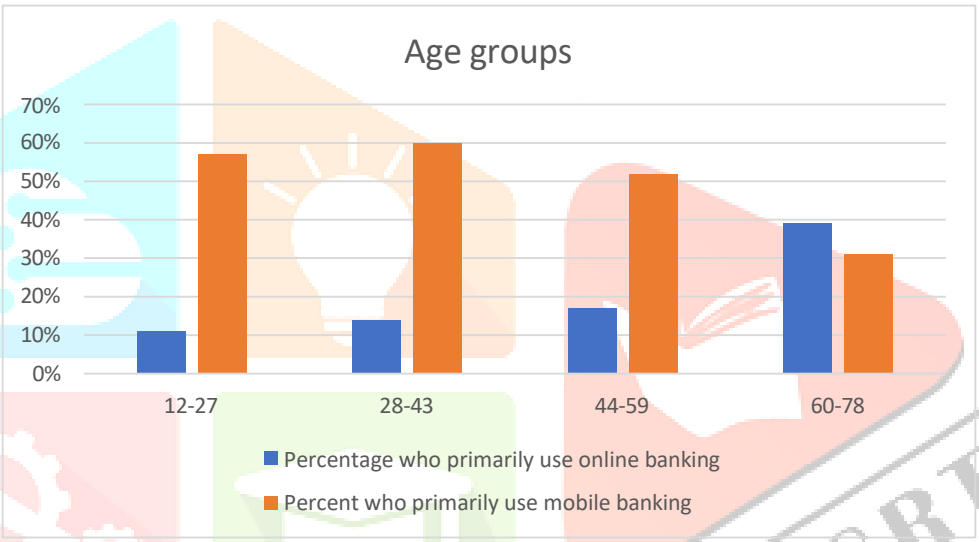
The research will be mainly based on secondary data. The secondary data will be collected through annual reports and publications published in various journals of national and international agencies and through surveys, records of government data. Required analytical tools will be used in understanding,

analysing and interpreting the collected data conclusions will be drawn on the basis of analysis of data through graph, chart, and diagram as and when required.

Analytics and interpretation of data

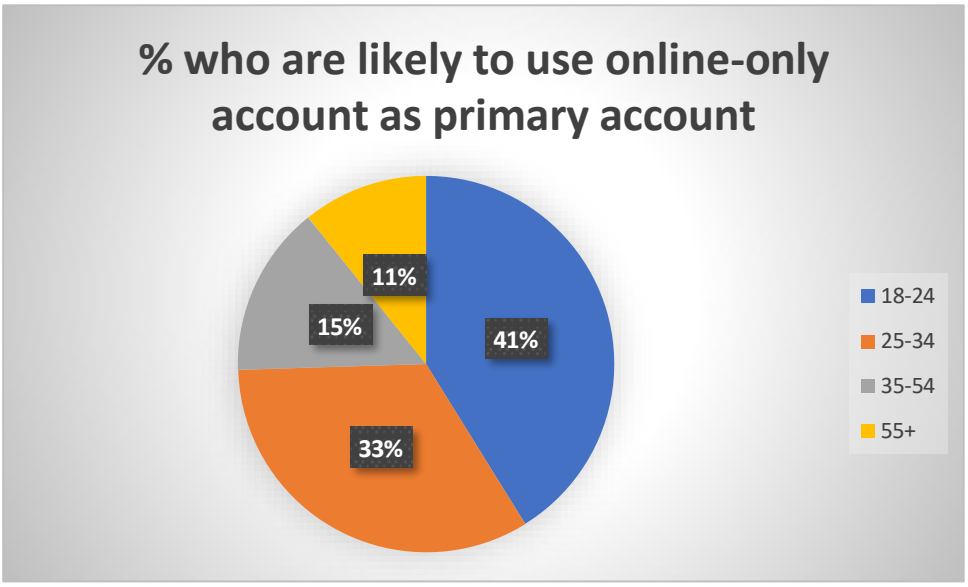
UPI (Unified Payments Interface) has seen significant growth in India since its launch in 2016 by National Payments Corporation of India (NPCI). Here are some highlights of the UPI journey in India with YoY (Year-on-Year) growth statistics till Jan 2024

Age Group	centage who primarily use online banking	nt who primarily use mobile banking
12-27	11%	57%
28-43	14%	60%
44-59	17%	52%
60-78	39%	31%



Though the statistics it is found that online banking is primarily used by the people in the age bracket of 60 to 78 while mobile banking is majorly used by the people in the age bracket of 28 to 43. This shows that younger generation is more inclined towards mobile usage as its more convenient to use.

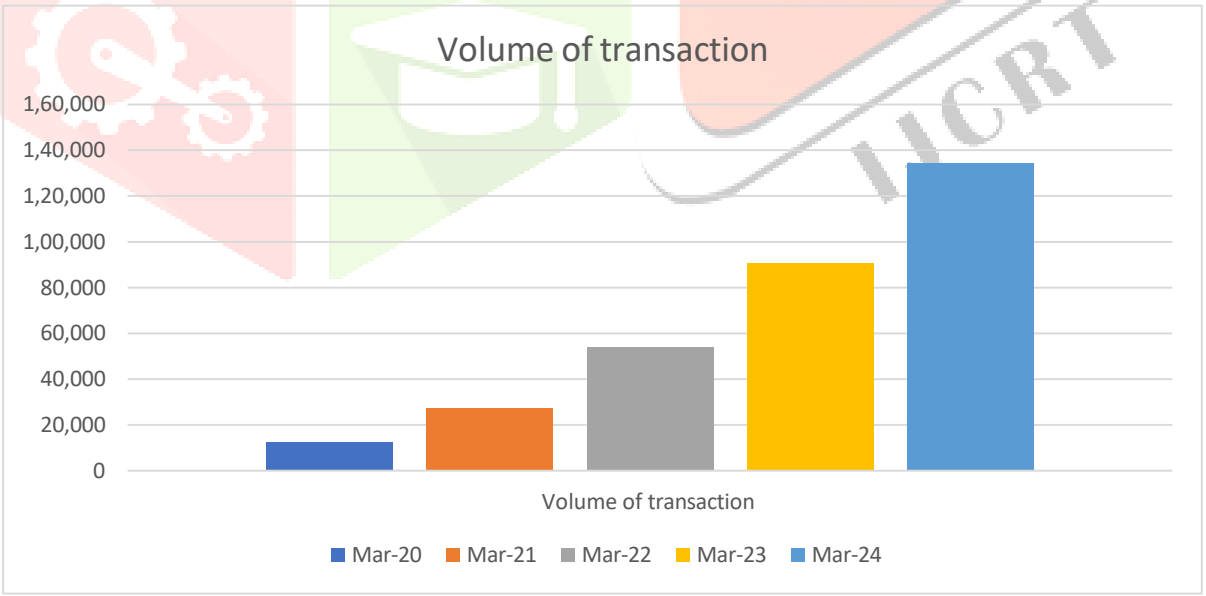
Age Range	% who are likely to use online-only account as primary account
18-24	41%
25-34	33%
35-54	15%
55+	11%



Through the statistical data is can be seen that 41% of the people in the age bracket of 18 to 24 use only the online means to make the payments. 33% belong to the age bracket of 25 to 34 years; 15% belongs to the age bracket of 5 to 54 ears and 11% are in the age group of 55 and above.

Digital Payment Dashboard has been integrated with Integrated with 118 public sector, private sector, payments, regional rural and foreign banks.

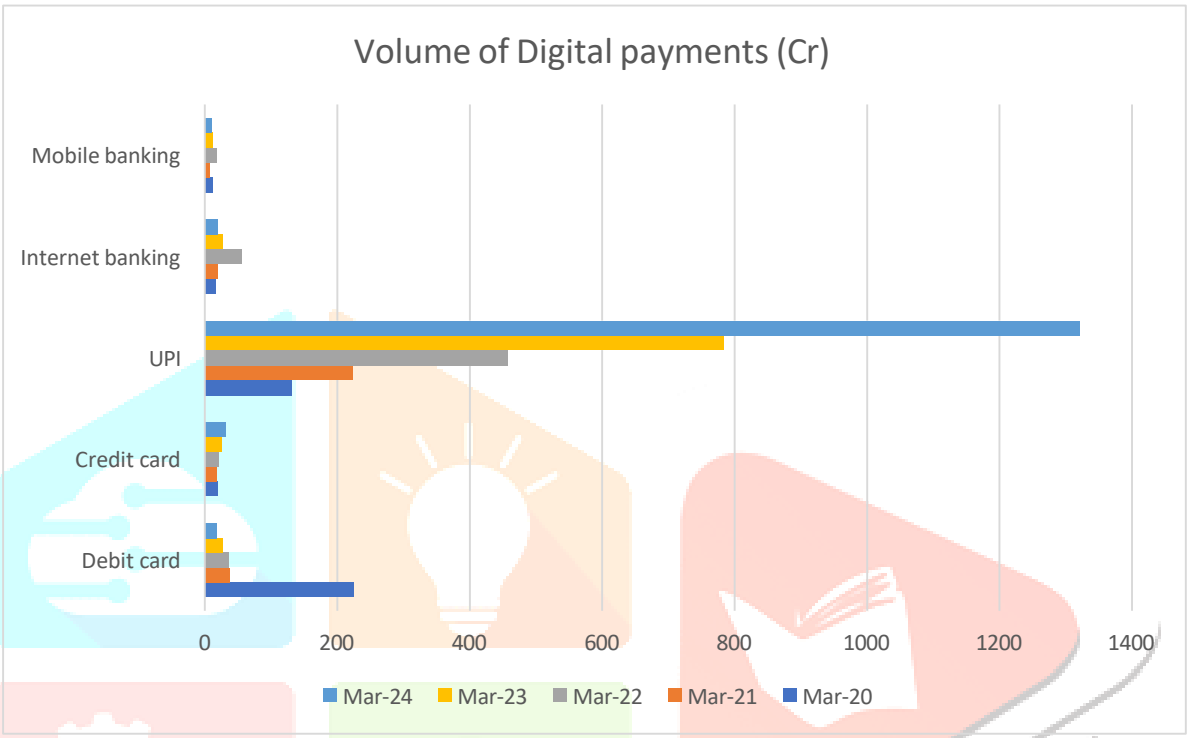
Year	Volume of transaction
March 2020	12,468
March 2021	27,316
March 2022	54,056
March 2023	90,629
March 2024	1,34,398



The volume of transactions has increased from 12,468 to 1,34,398 in the last 5 years. This increase shows a hike of more than 10 times increase in the number of transactions.

Volume of digital payments (in crore)

For the year ended	Debit card	Credit card	UPI	Internet banking	Mobile banking
March 2020	224.40	20.37	130.83	16.17	11.25
March 2021	37.65	17.38	223.41	18.87	8.31
March 2022	35.89	21.13	456.62	55.25	18.45
March 2023	26.67	25.56	782.97	26.62	11.43
March 2024	17.68	32.15	1320.99	19.41	9.91



The volume of digital transactions has been on a revolutionary high ever since the UPI has been introduced. In the last 5 years the UPI payment transactions have increased from 130.83 crore to 1320.99 crore. This shous an almost 10times hike in the demand for the UPI transactions.

Conclusion

In conclusion it can be seen that there has been a transformation in the core banking functionalities ever since digitalization and technological upgradation has brought a revolution in the industry building process.

References

https://hgs.cx/blog/what-is-industry-5-0-explore-the-key-benefits-and-future-potential/

https://www.bankrate.com/banking/digital-banking-trends-and-statistics/#digital-trends

https://neontri.com/blog/mobile-banking-ux-trends/#:~:text=Mobile%20banking%20apps%20have%20quickly,balances%20to%20applying%20for%20mortgages.

https://www.nic.in/blog/digital-payments-driving-the-growth-of-digital-economy/#:~:text=The%20increase%20in%20internet%20and,of%20smartphones%20and%20internet%20access.

https://digipay.gov.in/dashboard/default.aspx

https://bi.etaal.nic.in/Reports/powerbi/ModeWiseAnalysis(WL)?rs:Embed=true