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Banking in the times of new tech: Key things to know

By ET Bureau | Updated: Jun 02, 2016, 03.14 AM IST

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When you think of a bank, the first thing that comes to mind is a place where you can deposit or borrow money. But, with competition and advancement of technology, things are rapidly changing and banks are offering specialised services and products to stay ahead in the race.

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- 1. In India, banks offer** a gamut of services, but RBI is looking at differentiated banking after it gave licences to payment and small finance banks, and may soon release a framework for wholesale and custodial banks. ET talks you through the different banking genres.
- 2. Retail Banks** Popularly called "High-Street Banks", these banks have branches where ordinary customers can open their accounts. A concept pioneered in the United Kingdom, retail banks make most of their money from interest payment on loans to individuals and small businesses. They also earn from selling mortgages and insurance to customers. Major high street banks in the UK include [Barclays](#), Royal Bank of Scotland, Lloyds TSB Bank and [HSBC](#) Bank.
- 3. Investment Banks** These are banks that offer investment advice, and buy and sell stocks and bonds. They also analyse financial markets for clients, and provide funding advice for corporate takeovers. You can't deposit money in an investment bank like you can in a retail bank. Investment banks make their money by taking a percentage of their clients' profits on investments, or by selling them advice. Some of the biggest fullservice global investment banks include JPMorgan Chase, [Goldman Sachs](#), Bank of America Merrill Lynch, [Morgan Stanley](#), etc.
- 4. Online Banks** They operate entirely online, and there are no physical branches where you can talk with a teller or personal banker. The best internet-only banks usually offer higher interest rates and friendlier fee structures than brick-and-mortar banks because they save on costs from not owning branches or ATMs. With the onset of digital revolution in India, many brick-and-mortar banks are also offering online services, including money transfers and bill payments. Ally Bank, Discover Bank, Nationwide Bank are some of the largest players in this space.
- 5. Mobile Banks** All major banks have apps that allow customers to check their balances, transfer money, set up direct debits and so on. But, over the past two years, a new generation of mobile-only banks has emerged to challenge the universal banks. They offer mobile banking with no branches and everything's done through an app. Recently, Atom Bank became UK's first digital-only bank. With no branches or call centers, all contact is through this app. Others operating in this space are Hello Bank, run by BNP Paribas group, US-based BankMobile, and Number26, a German bank that was launched by two Austrians.
- 6. Credit Unions** Mostly found in the US, these are non-profit cooperative financial institutions, and are owned and controlled by their members. Credit unions offer many of the same financial services a bank would, although often under different names. US has 92 million credit union members.

TEXT: *Saloni Shukla*

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