



RECENT TECHNOLOGICAL TRENDS IN INDIAN BANKING SECTOR

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Abstract:

The Indian Banking Industry is undergoing a paradigm shift in scope, context, structure, functions and governance. The information and communication technology revolution are radically and perceptibly changing the operational environment of the banks. Technology has emerged as a strategic resource for achieving higher efficiency, control of operations, productivity and profitability. Technology not only plays an important role in development and introduction of new products and facilities like ATMs., tele-banking, internet banking etc. but also plays a pivotal role in terms of achieving operational efficiency. Technology also aids in the asset liability management process by enabling the top management to decide on product pricing in a competitive scenario.

Key words - Banking Sector, Banking Technology, Communication Technology, Economic Development, Banking Network

INTRODUCTION:

Technology has brought about a complete paradigm shift in the functioning of banks and delivery, of banking services. Gone are the days when every banking transaction required a visit to the bank branch. Today, most of transactions can be done from the comforts of one's home and customers need not visit the bank branch for anything. Technology is no longer an enabler, but a business driver. The growth of the internet, mobiles and communication technology has added a different dimension to banking. The information technology (IT) available today is being leveraged in customer acquisitions, driving automation and process efficiency, delivering ease and efficiency to customers. Many of the IT initiatives of banks started in the late 1990s, or early 2000, with an emphasis on the adoption of core banking solutions (CBS), automation of branches and centralization of operations in the CBS. Over the last decade, most of the banks completed the transformation to technology-driven organizations. Moving from a manual, scale-constrained environment to a global presence with automated systems and processes, it is difficult to envisage the adverse scenario where

the sector was in the era before the reforms, when a simple deposit or withdrawal of cash would require a day. ATMs, mobile banking and online bill payments facilities to vendors and utility service providers have almost obviated the need for customers to visit a branch. Branches are also transforming from operating as transaction processing points into relationship management hubs. The story of technology in banking started with the use of punched card machines like Accounting Machines or Ledger Posting Machines. The use of technology, at that time, was limited to keeping books of the bank. It further developed with the birth of online real time system and vast improvement in telecommunications during late 1970's and 1980's. It resulted in a revolution in the field of banking with "convenience banking" as a buzzword. Through Convenience banking, the bank is carried to the door step of the customer. The 1990's saw the birth of distributed computing technologies and Relational Data Base Management System. The banking industry was simply waiting for the technologies. Now with distribution technologies, one could configure dedicated machines called front-end machines for

customer service and risk control while communication in the batch mode without hampering the response time on the front-end machine.

We are today living in a world dominated by technology. Technology has become the principal driving force for long term economic growth. It has been estimated that 25-30% of industrial growth is accounted for by technological progress. We are now passing through an era of second industrial revolution. Availability of Technology has recently radically altered the traditional way of banking. Technology has so to say become the fuel for rapid change with tremendous growth in banking business and bank users. Technology becomes inevitable to keep pace with the expectations a requirements of banking public

OBJECTIVES OF THE RESEARCH STUDY:

The said research study was carried out with following objectives in view:-

1. To study the conceptual background of technological trends in Indian Banking Sector in India.
2. To study the Impact of Technologies in Banking Sector in India.
3. To study the Technological Services covered under Electronic Banking Services in India.

RESEARCH METHODOLOGY:

For the present research study the data pertaining to the above objectives was collected and reviewed the literature on the topic concerned. The literature was thus collected by visiting various libraries. Some Government offices were also visited for getting office record and statistical data. The secondary data is also collected from various websites. With the above objectives keep in mind the instructed Interview Method and Desk Research Method was basically adopted. The Secondary Data is

collected from various reference books related to Banking Sector, Technologies in Banking Sector, Electronic Banking, Globalised Banking, Commerce & Management, and Banking etc. For said research study secondary data is also collected from the National and International Research Journals which are related to Commerce, Management, Banking etc.

IMPACT OF TECHNOLOGIES IN BANKING SECTOR IN INDIA :

With the awareness and technological advancement spreading across the country in all length and breadth, we have ushered in an era, where all banking transactions can be put through by seating in home or office. The banking industry technology is evolving rapidly in five key areas -

- i. Convenience in product delivery and access.
- ii. Managing productivity and performance.
- iii. Product design.
- iv. Adopting to market and customer needs.
- v. Access to customer market.

Customers can view accounts, get statements of accounts transfer funds, and purchase drafts by just making a few key punches. Availability of ATMs and plastic cards to a large extent avoid the need for customers going to bank premises for cash. Credit cards debit cards, smart cards, cyber cash make it possible for cashless transactions. Electronic Data Interchange (EDI) is yet another development that has made its impact felt in the banking industry. SWIFT and Electronic Fund Transfer (EFT) have come in handy for quick funds transfer with the advent of satellite communication. It is now possible to instantly transfer funds across the globe. The Society for Worldwide Interbank Financial Telecommunication (SWIFT) provides a network that enables financial institutions worldwide to

send and receive information about financial transactions in a secure, standardized and reliable environment. SWIFT also markets software and services to financial institutions, much of it for use on the SWIFT Net Network, and ISO 9362 bank identifier codes (BICs) are popularly known as "SWIFT codes". Core Banking solutions are banking applications on a platform enabling a phased, strategic approach that lets people improve operations, reduce costs, and prepare for growth. Implementing a modular, component-based enterprise solution ensures strong integration with your existing technologies. An overall service-oriented-architecture (SOA) helps banks to reduce the risk that can result from multiple data entries and out-of-date information, increase management approval, and avoid the potential disruption to business caused by replacing, entire systems. Core Banking Solutions is new jargon frequently used in banking circles. The advancement in technology, especially internet and information technology has led to new ways of doing business in banking. These technologies have cut down time, working simultaneously on different issues and increasing efficiency. The platform where communication technology and information technology are merged to suit core needs of banking is known as Core Banking Solutions.

TECHNOLOGICAL SERVICES COVERED UNDER ELECTRONIC BANKING

1.Credit Card: A credit card is a payment card issued to users as a system of payment. It allows the cardholder to pay for goods and services based on the holder's promise to pay for them. The issuer of the card creates a revolving account and grants a line of credit to the consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance to the user, A credit card is different from a 'charge card: a charge card

requires the balance to be paid in full each month. In contrast, credit cards allow the consumers a continuing balance of debt, subject to interest being charged. A credit card also differs from a cash card, which can be used like currency by the owner of the card. 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.

2.Debit Card: Debit cards are also known as cheque cards. Debit cards look like credit cards or ATM cards but operate like cash or a personal cheque. Debit cards are accepted at many locations including grocery stores, retail stores, gasoline stations and restaurants. One can use his/her card anywhere. It is an alternative to carry a cheque book or cash. There is a difference between credit cards and debit cards. A credit card is a way to "Pay later" while a debit card is a way to "pay now". When one uses a debit card his/her money is quickly deducted from his/ her savings account. When one uses a debit card one is subtracting one's money from his/her own bank account. Debit cards allow one to spend only what is in her/his bank account. It is a quick transaction between the merchant and one's personal bank account obtaining a debit card is often easier than obtaining a credit card.

1.ATM: ATM is the automation of the Teller. An ATM is an electronic cash providing and accepting machine. These machines are installed to provide access to cash to the bank customers any time of the day. One need not worry about the working hours of the bank. It is a self-service counter open 24 hours a day for 365 days of the year. A customer who wishes to avail of the ATM facility has to maintain certain minimum balance. There is maximum limit on withdrawal. The customer is issued with the ATM card. It has a Personal Identification

Number (PIN) which is known only to the customer. The customer first inserts the card in the slot. The machine examines the genuineness of the card and the door is opened automatically. After that, the customer presses the keys of his PIN and the required cash flows out. The ATM also accepts cheques and cash deposits. They may be installed at shopping centres, airports, railway stations or located within bank premises. The ATM requires currency notes which are not folded and can move easily in a machine. The ATM supplies notes of certain denominations only.

1. Tele Banking: Without visiting the bank one can receive the services of banks. The device used for this purpose is called 'tele-banking', This is a fast and convenient way of obtaining services from the I bank by using a telephone. One can receive the services such as information about account, conduct of selected transactions, report of loss of ATM card, debit card, credit card or cheque book, etc. To avail this facility any bank customer can apply to the bank. However, the bank manager has discretion to reject this facility. The facility can be available all customers having savings or current accounts in their individual capacity in the bank offering this facility. The information transactions are obtained from a PC loaded with the latest information of the accounts from bank's records through periodic "Data pumping" exercise an interval determined by the bank based on their perception of customer's requirements.

2. Electronic Funds Transfer (EFT): The EFT automatically transfer money from one account to another. Under EFT the sender and the receiver of funds may be located in different cities and may even bank with different banks. EFT is a scheme introduced by Reserve Bank of India to help banks offering their customers money transfer service from account to account

of any bank branch to any other bank branch in places where EFT services are offered.

1. Electronic Clearing Service (ECS): ECS (Credit Clearing) is a mode of payment whereby an institution makes a large number of payments like interest, dividend, salary, pension to a large number of investors, shareholders, employees, ex-employees can make the payments electronically instead by issuing paper warrants. ECS (Debit Clearing) is a mode of payment whereby an institution receives payments from a large number of consumers and customers. ECS scheme helps utility institutions, insurance companies, credit card companies and finance companies to collect the proceeds of telephone and electricity bills.

1. Mobile Banking: Mobile banking is system that allows customers of a financial institution to conduct a number of financial transactions through a mobile device such as a mobile phone or personal digital assistant. Mobile banking differs from mobile payments, which involve the use of a mobile device to pay for goods or services either at the point of sale or remotely, analogously to the use of a debit or credit card to affect an EFTPOS payment. The earliest mobile banking services were offered over SMS, a service known as SMS banking. With the introduction of smart phones with WAP support enabling the use of the mobile web in 1999, the first European banks started to offer mobile banking on this platform to their customers.

1. Net Banking: The internet banking has changed the banking industry. It has major effects on banking relationships. According to the Internet researcher Morgan Stanley, the web is more important for retail financial services than for many other industries. Internet banking involves use of Internet for delivery of banking products and services. Net banking (or Internet banking or E-banking) allows customers of a financial institution to conduct financial transactions on a secure website-

operated by the institution, which can be a retail or virtual bank, credit union or building society. To access a financial institution's online banking facility, a customer having personal Internet access must register with the institution for the service, and set up some password (under various names) for customer verification. The password for online banking is normally not the same as for telephone banking. Financial institutions now routinely allocate customer numbers (also under various names), whether or not customers intend to access their online banking facility. Customer numbers are normally not the same as account numbers, because a number of accounts can be linked to the one customer number. The customer will link to the customer number any of those accounts which the customer controls, which may be cheque, savings, loan, credit card and other accounts. Customer numbers will also not be the same as any debit or credit card issued by the financial institution to the customer.

CONCLUSION:

In recent time Impact of Technological Services covered Under Electronic Banking has spread rapidly all over the globe. All Banks are making greater use of technologically banking facilities to provide better service and to excel in competition. Phone Banking is yet another banking service offered by banks. Under this system like in ATM card secret code number is provided to each account holder. A customer wanting to know his bank balance or any other information relating to his bank account should dial up a particular phone number indicated by the bank. One of the methods of providing service is through the medium of computer network. Net or internet banking refers to extension of banking services through the network of computers 'Internet', is a worldwide network of computers connected with telephone lines. Under the internet facility millions of

computers located at banks, offices, hospitals, educational institutions and commercial establishments at different countries are connected through one another.

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