Technology Wave and the Transformation of the Future of Indian Banking

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Abstract: To compete in an economy which is opening up, it is imperative for the Indian banks to observe the latest technology and modify it to suit their environment. With the entry of foreign banks and the continuous innovation that is taking place in the realm of information technology, it has become a necessity for banks in India to make increasing use of the electronic mode for transacting their business. Information Technology has increased the financial control and has made collation of information much easier. Not only banks need greatly enhanced use of technology to the customer friendly, efficient and competitive existing services and business, they also need technology for providing newer products and newer forms of services in an increasingly dynamic and globalised environment- Banking has come to be recognized as a virtual necessity to face the imminent challenges/competition that is growingly felt in modern days, due to globalization and liberalization of the Indian economy. This paper attempts to throw light on a wide range of services being offered by banks using the electronic media.

Key words: ATM, Tele banking, Information Technology, EFT, SWIFT, Online Banking

TECHNOLOGY WAVE AND THE TRANSFORMATION OF THE FUTURE OF INDIAN BANKING

INTRODUCTION:

In the wake of liberalization policies, the traditional and conservative face of Indian banking has undergone a virtual metamorphosis. The Indian banking industry is under going a paradigm shift in scope, context, structure, functions and governance. The information and communication technology revolution is radically and perceptibly changing the operational environment of the banks. “Technology-driven” products have now become common parlance in the corridors of the banking industry. Universal banking, virtual banking, mergers and acquisitions are increasingly becoming the order of the day. For customers, it was the realization of their “anywhere, anytime, anyway, banking dream.” For the banks, technology has emerged as a strategic resource for achieving higher efficiency, control of operations, productivity and profitability. The recent trend shows that most banks are shifting from a “product-centric model to a customer-centric model” as they develop their e-banking capabilities.

EMERGENCE OF INFORMATION TECHNOLOGY:

Technology can be defined as all the knowledge, products, processes, tools, methods and systems employed in the creation of goods or in providing services. Simply stated, it is the way of doing things. Technology does not mean computer system and the like. It is very important to know how technology has influenced the banking area especially in the liberalization era. Information Technology and communication networking systems have revolutionized the working of banks and financial entities all over the world. Indian banking industry has leveraged technology to the extent possible in terms of achieving operational efficiency and introduction of new products and facilities like ATM’s, tele-banking, mobile banking, internet banking etc., for its customers. Today technology has become the integral part of banking operations. Information Technology has revolutionized the services and mode of services offered by the banks to their corporate clients. Compared to traditional banking, e-banking brings a nuclear charged experience to the clients that provide scope for real time transactions as well as single integrated platform for all the banking relationships of clients. This technological revolution has made transaction banking transactions more convenient for clients.

Information Technology plays a pivotal role in the Asset-Liability Management process by enabling the top management to decide on product pricing in a competitive scenario. The technological evolution has rendered a paradigm shift to the mechanization process in the banking industry. Historically, the single delivery channel has been the branch banking and customers have been served through this delivery channel only. Banks have used
branches as their contact points to extend services to the customers and the quality of services offered as well as the branch reach has been the only factor that has differentiated one bank from the other. However, the introduction of Information Technology in the banking has changed the scenario totally. Once the branch has been mechanized and networked the customer has, for the first time, been served through a single window system. With the entire data of a branch being available on the server, it has helped the banks in concealing the data to other delivery channels namely ATM’s, tele-banking, internet banking, interactive television, personal portal, digital assistants credit/debit cards, smart cards, electronic payments etc.,

Corporate governance is the buzzword in banking circles today. Good corporate governance is essential for any bank that seeks to rise to the expectations of the shareholders and stake holders. Adroit application of information technology can go a long way in ensuring this.

SIGNIFICANCE OF THE STUDY:

To compete in an economy which is opening up, it is imperative for the Indian banks to observe the latest technology and modify it to suit their environment. With the entry of foreign banks and the continuous innovation that is taking place in the realm of information technology, it has become a necessity for banks in India to make increasing use of the electronic mode for transacting their business. Information Technology has increased the financial control and has made collation of information much easier. Not only banks need greatly enhanced use of technology to the customer friendly, efficient and competitive existing services and business, they also need technology for providing newer products and newer forms of services in an increasingly dynamic and globalised environment E-Banking has come to be recognized as a virtual necessity to face the imminent challenges/competition that is growingly felt in modern days, due to globalization and liberalization of the Indian economy.

Range of services are being offered by banks using the electronic media

- **Automated Teller Machines (ATM):** Automated Teller Machines have revolutionized the banking activities in the country in recent times. Many public sectors banks, foreign banks and private banks introduced ATM’S to assist their customers to withdraw and deposit cash without any waiting time. The debit and credit holders of a bank can also withdraw cash in emergency from ATM’s at any time. The customer can withdraw or expand money up to the amount of money in his/her amount with bank

- **Credit Card/Debit Card:** Many commercial banks have introduced credit cards in India among their customers. Credit card is plastic money which acts as an instrument of credit. Credit card replaces the paper currency. The credit cardholders need not carry cards in their packets. The cardholder may purchase goods from many authorized dealers by using from ATM’S, up to a specified limit, maintained by bank through out the country. The customers have to pay certain service charges to the bank along with interest on the outstanding balance.

- **Mail Transfers and Telegraphic Transfer:** The customer of a bank has an option to transfer from one place to another through Mail Transfer. In Mail/Telegraphic Transfer techniques the customer requests the bank to transfer some part of the balance in the payee’s account kept in a different place in the same bank for a nominal commission. The bank manage, after receiving the instruction of customer, arranges to send an advice to the bank manager concerned through e-mail telegram to credit the payee’s account with certain sum as desired by the customer.

- **Tele-Banking:** Tele-Banking is increasingly used as a delivery channel for marketing banking services. A customer can do entire non-cash related banking over the phone anywhere and any time.

- **Internet Banking:** Internet has enabled banking at the click of a mouse. It is a platform for electronic delivery of banking services to the customers. In internet banking, customer of a bank with a PC and a browser, can have amounts to his bank’s website and thereafter perform various banking functions. Thus, he can avail of the bank’s services from anywhere and at any time.

- **Round the Clock Banking:** The modern banking system facilitates performing of basic banking transactions by customers round the clock globally. World- wide 24 hours and 7 days a week banking services are made possible.

- **Centralized Banking Solution**

It is an inter-branch networking and data-sharing platform helps the customers to operate their account from any city in India having CBS networked branches, changing the status of the customer from’ customer Of the branch’ to the ‘Customer of the bank’
• **Online bill and Tax Payment, Shopping, Railway Reservation and Air Ticket Booking and Trading:**
The customers can have the above services by making payments online.

• **Corporate Internet Banking:**
Online funds transfer, trade finance management, fund management, global access with unmatched benefits through bankers’ corporate internet banking.

• **Retail Internet Banking:**
Internet Banking assists the customers to have an online access to bank account anytime and anywhere.

• **e-Money India:**
Internet Banking helps the customer in sending money to their loved ones in India through PNB’s e-Money India service.

• **Depository Service:**
Bankers’ Depository Service provides the facility of having shares and securities in Demat form and executes transactions of sale and purchase Hassle free electronically to the customers through internet banking.

• **Electronic Funds Transfer:**
Internet banking assists the customers in electronic clearing services for quick movement of funds in a paperless mode and EFT to ensure an expeditious transfer of funds by using electronic media.

• **Customer Care Facility:**
Bankers present 24 hrs customer care facility for all customers’ queries and problems.

• **Online Insta Remit-RTGS Service:**
Instant remittance by customer himself from one bank to another bank at different centers on the same day with the help of Online Real Time Gross Settlement/National Electronic Fund Transfer at modest charges.

• **Cyber Cash:**
Cyber Cash offers a secure conduit to deliver payments between customers, merchants and banks, since it offers safe, efficient and inexpensive delivery of payments across the internet practically instantaneously. It has been described as the “Federal Express” of the Internet payment business.

• **Society for World Wide Inter –Banking Fund Transfers (SWIFT):**
SWIFT is a computerized message system which links banks around the world. They are aiming to improve the speed and service in order to present the individual banks setting up their own computerized messaging system in opposition

**CHALLENGES OF INFORMATION TECHNOLOGY:**

Firstly, operations of banks are mostly confined to urban areas and cities. They are able to leverage the benefits of IT better. So, in order to be more competitive, appropriate action should be taken to achieve healthy growth in terms of both business volume and profitability by enhancing distribution network to rural areas.

Secondly, the banks should move from mass marketing to targeting specific consumers to study consumer behavior, need and value, respond with the right product at the right time through the right channels and deliver conveniently, efficiently and effectively.

Thirdly, banks need to understand repayment behavior in a retail portfolio in relation to internal credit, marketing policies, outside economic and market influences.

Fourthly, banks are unable to retain the trained and talented personnel who are having good knowledge of IT. So, consumer retention is a major goal in the present scenario.

Fifthly, hi-tech banking has brought about a new orientation to the banking risks.

Sixthly, cost has become an important factor today. So, budgeting for e-banking is essential.

Seventhly, the existing systems have to be re-engineered in order to reap the full benefits of technology.

Eighthly, the increasing use of technology in banks has also brought up security concerns. An effort should be made to cover e-business in the consumer law of the country.

Lastly, technology driven banks are rendering top class services to the customers. It is equally essential to educate the customers to go concomitantly with the introduction innovative products. New initiatives and innovations, new strategies, new delivery mechanisms and ability to cross sell products are imperative to compete and succeed in the banking market.

**TECHNOLOGY WAVE AND TRANSFORMATION OF INDIAN BANKING:**

In order to remain a relevant partner in India’s growth, Indian banks to embrace the mantra of ‘Inclusive Growth’ and ‘Creative Destruction’ via innovation in order to cope with the growing needs of the economy.

With emerging needs in the sphere of urbanization, industrialization, digitization, education, financial
inclusion and global integration as envisioned by the Government.

The following 10 developments will shape the banking industry in India’s journey towards a $20 million economy.

Technology

Technology will define banking contours in the future. This would include big data, cloud computing, smart phones and other such innovations. ‘Omni-channel’, not multi-channel, will redefine the way customers interact with banks. For example, disseminating personalized offers on customers’ mobile phone, use of home video-conferencing system for personalized connect, leveraging face-detection technology for efficient cross-sell are some of the avenues through which technology will aid banking in the future. Mobile banking and mobile payments/commerce is truly the future. There are over 900 million mobile users in the country but only 40 million mobile banking customers in this respect, Jan Dhan-Adhaar-mobile has the potential to change face of banking.

Creative Destruction

Banks will need to focus on innovation that raises competition and leads to better and cheaper services for customers. Banks may also partner to achieve scale and find best practices, combining their infrastructure into joint ventures. Also, outsourcing utilities like customer authentication, fraud checking, payments processing, account infrastructure. KYC processing, to existing technology service providers could be the key steps going forward.

Cashless Banking

In Sweden, 4 out of 5 transactions are cashless. In India, use of hard cash peaked at 11.5% of GDP in 2009. Since then it has moderated but continues to remain high at 10.5% as of 2014. In the future, cashless banking will revolutionize ease of doing transactions with further penetration of internet.

Branchless Banking

Branchless banking could help in achieving economies of scale in revenue generation and cost management. The increasing trend of branches banking is leading to closure of traditional brick and mortar branches in advance countries. In order to make branchless banking model more viable, banking business model innovations could be combined with national platforms such as Adhaar to reduce cost by 40%.

Innovation in ATMs

India has poor ATM penetration- There are only 11 ATMs for every 1 million people in India compared to 37 in China and 52 in Malaysia. In this regard, solar ATMs could reduce setup cost by almost 50% and also cater to power scarce rural areas.

Infrastructure Financing

India has 5% share in the global infra market which is expected to increase to 9.4% by 2025. The futurist development models will evolve on the lines of 5:25 structure and PPP model for long term financing. Additionally, there will be new arrangements in the form of infrastructure dead funds, green banking and viability gap funding.

MSMEs

The MSME sector contributes to 8% to the countries’ GDP. SIDBI has estimated the overall dead finance demand of the MSME sector at $650 billion. New structures such as cluster based financing, capital subsidy policy for technology upgradation, Mudra Bank, credit guarantee schemes, incubation centres and startup facilities will play an important role in the coming years.

Competition consolidation

Banking landscape in India will see a transformation with the country of new age specialized banks. The urge to innovate, compete and remain in business will also pave way for synergetic consolidation. Account Number Portability, efficient leverage of big data, analytics securitization of retail loans are a few thoughts that would become a differentiating reality over the next 15-20 years.

Risk Management

As businesses evolved and the scale of banking increases, principles like dynamic risk management with early warning signals need to be strengthened.

Easier expansionary roots

In the future, it will be important to allow easier MBA in the banking space to achieve scale along with freedom to setup branches and ATMs as desired.

CONCLUSION:

It can be concluded from the above that technology has assured excellent service and innumerable benefits to mankind. But, at the same, there should
not be any compromise with regard to the safety of the hard earned money of the investors. Security of e-banking is a concern which takes a top priority to promote e-banking. Banks must demonstrate competency in both system and transaction security. The approach to automation in banking must have an element of healthy ‘opportunities.’ For, at the heart of e-banking is more than money. A shrewd and strategic banker must, therefore, make full use of such a boom. The above ten developments will present opportunities that will be critical for catapulting Indian banks in the top global leagues. Carpe diem and carpe noctem

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