



International Journal of Advanced Technology & Engineering Research (IJATER)
International Conference on “Recent Advancement in Science & Technology” (ICRAST 2017)
Hi-Tech Banking Technology Services in the Indian Banking Industry

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ABSTRACT

The Macro environment has undergone radical change with the Liberalization, privatization and globalization process gathered momentum. The policies of the government have also taken multidirectional shift with changing scenario –a global village. With Technology as a catalyst, great changes are expected in banking sector in coming years. Only that institution who leverages advancement of technology in innovation of new products, customer convenience, re-engineering process and delivery modes etc. will be the ultimate winners.

With entry of Multi-National Companies (MNC) and foreign direct investments (FDI) in major thrust areas have led to an altogether new infrastructural set up, economic climate, business strategies and outlook. The new millennium has ushered in with three basic elements in banking sectors which can be christened as the tridents or the “Tridevs” of present era banking. They are **IT structure, people (personnel), public (customer)**. These three musketeers are the pillars on which twenty-first century banking superstructure rests. Technology is definitely at the forefront as the competitive edge over other competitors; nevertheless the other two can not be undermined.

Thus the technology will definitely be a cutting edge against rivals if it is implemented by wholehearted participation of personnel with customer focus aiming at customer ‘delight. Thus technology in tandem with personnel and public can create a sharp edge to cut any competitor, which technology cannot do alone. The triangular link among these three is also a dynamic one and can not remain static.

Key words-radical ,customer, Liberalization, privatization, globalization, tandem, ushered, catalyst, leverages, forefront, edge etc.

Introduction-

“IT is a powerful tool with diverse applications Our Challenge is to put that power at the service of all humankind”

-Kofi Annan, UN Secretary general.

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With entry of Multi-National Companies (MNC) and foreign direct investments (FDI) in major thrust areas have led to an altogether new infrastructural set up, economic climate, business strategies and outlook. The new millennium has ushered in with three basic elements in banking sectors which can be christened as the tridents or the “Tridevs” of present era banking. They are **IT structure, people (personnel), public (customer)**. These three musketeers are the pillars on which twenty-first century banking superstructure rests. Technology is definitely at the forefront as the competitive edge over other competitors; nevertheless the other two can not be undermined.

Impact of IT in Rural/Urban Centers-

It is matter of concern by RBI as regards improved and effective customer services in the rural and urban sectors. Banking functions have undergone a significant change. Large scale usage of IT by banks has resulted in computerization of many branches and their inter-connectivity by means of safe and reliable networks. While the new private sector banks have all commenced as entities with fully computerized upon IT in a large way.

Today, all the public sector banks are the threshold of achieving the status of 100per cent computerization of their business. In fact the largest bank in the country has also networked and interconnected more than 3000 of its branches. This has meant three major benefits to the customer, viz.,

- **First**, the customer is now treated as a customer of the bank as a whole, which means that he is now capable of enjoying facilities such as ‘anywhere banking’ as also ‘anytime banking’.
- **Second**, costs have come down. With hair thin margins being the order of the day, banks have to look for ways and means to reduce their operating costs and IT has come as a savior in this area.

- **Third** and most important is the impact on improved customer service and overall efficiency of the bank as a whole.

All the above have positioned customers of bank as the most important source of attention by banks, thereby conforming to Mahatma Gandhi’s oft-told adage of the customer being the ‘king’. In present context, customer is treated as an ‘Emperor’.

In terms of developing a state-of-the-art IT infrastructure for the banking sector, the issue needs to be considered in terms of serving the two major sectors in India that have slightly different priorities, viz., urban and rural.

The rural segment, at least as of today, is less mobile and the focus is more on ‘fairness’ of the system and adequacy of credit. In urban areas, on the other part, there is a greater mobility of consumers and a relatively higher frequency of use. Thus, access, convenience and time are of the essence. To sum up :

➤ **Rural :**

- Quick Credit
- On an objective basis
- At reasonable rate
- Sensitive to the vagaries of nature
- A friendly supporting system for encouraging savings and attracting them into the financial mainstream

➤ **Urban :**

- The urban sector has all the need of rural sector plus the following:
- Easy to access
- To a wide range of banking and payment service
- Of high quality
- Customised to as narrow a segment of customers as possible

This should be taken to mean that the two sectors have divergent needs. In fact, the ultimate infrastructural needs for both the sectors are same. However, the priorities for the two sectors differ somewhat and it would be advisable to keep this in mind in our technological solutions to address their needs.

Benefits of technology-

The benefits of technology in the banking sector have been extended to cover transactions under taken in respect of government securities transactions. The Negotiated Dealing System (NDS) has provided for an electronic platform for trading in government securities which has stabilized well in its two years of operation. Further, the proliferation of IT has also set the stage for improving and managing risks in payment systems, in the form of the following:

- ❖ Electronic Trading systems
- ❖ Real Time Gross Settlement
- ❖ Delivery versus Payment(DVP)
- ❖ Payment versus payment
- ❖ Secured Netting Systems
- ❖ The growth of the central Counter Party(CCP) as in the case of the Clearing Corporation of India Ltd. (CCIL) and movement to Continuous Linked Settlement.

The nature of Hi-Tech Banking Technology Services in the Indian Banking industry have been addressed as under :

- ❖ Shared Payment network system (SPNS) (SWADHAN) of Indian Bank’s Association (IBA)
- ❖ Automated Clearing House Operations
- ❖ A Network of Regional Data Warehouses- Credit Information Bureau
- ❖ Electronic Funds Transfer (EFT)
- ❖ Electronic Clearing Services (ECS)- Credit Clearing and Debit Clearing
- ❖ RBnet
- ❖ Computerised Message Transfer(COMET)
- ❖ Very Small Aperture Terminal(Vsat) for banknet
- ❖ Regional Grid Clearing-Collection of outstation cheques
- ❖ Magazine on “Banking Information Technology(bankit)

- ❖ Credit/Debit Cards and Electronic Funds Transfer(Point-of-Sale Terminal)
- ❖ Smart Cards
- ❖ Terrestrial Microwave Radio Transmission
- ❖ Satellite Microwave (Geo-Stationary Satellite)
- ❖ Transponder
- ❖ Communication Through use of Optical Fibre Technology
- ❖ INET(Packet Switched Public Data Network)
- ❖ HVNET (High Speed VSAT Network)
- ❖ Teleconferencing
- ❖ Video Phone
- ❖ NICNET(District Based Information System)
- ❖ Internet Banking
- ❖ Chat Relay(ICR) Syatem
- ❖ Electronic Mail (E-mail)
- ❖ Facsimile(FAX)
- ❖ Society for Worldwide Inter-bank Financial Telecommnication(SWIFT)
- ❖ Virtual/ Digital/e-sign Signature in Banking
- ❖ Cheque Truncation process
- ❖ “Smartquill” Computer Pen

Future Plan for Technology-The banking industry today faces the challenge of rapidly changing customer expectations against a backdrop of Liberalization, privatization and globalization, volatile economies and information technology. Retail banking clients today demand more interactive accesss to their accounts,mobility of investments, better segmentation of products and services, all to be accessed and delivered at their convenience.

Commercial banks are diversifying into financial services sector, insurance sector and fee based earnings are gaining prominence over fund based earnings. The mushrooming of multi function,self-service electronic delivery channels are fast replacing the brick and mortar branches

in urban areas. These changes necessitate commercial banks to redefine the business model in order to optimize resources and deliver world class customer service.

Conclusion-Awake, Arise and stop not till the goal is reached. The need of hour is banks upliftment and its survival in the days of stiff competition. All bankers should come together and work as a team. They should set a Task Force to look into these aspects making an ONLINE VOLUNTEERS, and take full advantage of the power of the NET and VRS force, which is available at present. IIBF/IBA/Banks/NGOs can make use of the VRS force even after their retirement. Banks can chalk out their own schemes and methods in association with IIBF/IBA and take full advantage of the Volunteers called BITes on the lines of UNITEs.

Much as banks envision, the outlook for improved financial services is bright, given the high drive of IT in banking. If India is brought into the main stream of real time payments system as also penetration of IT in rural/urban centers, the allocated efficiency of Indian banking, in particular and overall growth of Indian economy, in general, would be of top class by any standard.

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