

NEW TECHNOLOGICAL INNOVATIONS IN THE BANKING SECTOR : A BOON

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Abstract : The banking industry in India has a huge canvas of history, which covers the traditional banking practices from the time of Britishers to the reforms period, nationalization to privatization of banks and now increasing numbers of foreign banks in India. Ever since the nationalization of banks in India, this sector has been growing without Leaps and bounces and catering to the needs of various segments of the society. In recent times, the Banking Sector has been making rapid strides by using information technology as a platform and endeavoring to scale higher heights.

The tremendous advances in the technology and the aggressive infusion in information technology have brought in a paradigm shift in the banking operations. With the development of information technology, the world has become a global village and has brought revolution in the banking industry. After technological innovations the face of banks has changed. Technology has been one of the most important factors for the development. Information and communication technology is the major advent in the field of technology which is used for access, process, storage and dissemination of information electronically. Indian Banking industry is fast growing with the use of technology in the form of ATMs, on-line banking, Telephone banking, Mobile banking, plastic card etc. This paper highlights the benefits and challenges of changing banking trends. Banks are investing heavily in adoption of these innovations and the bank encourages the efficiency of investment in innovations and widens the gap between revenues and costs involved with reference to technological up gradation.

Keywords: Technological , Innovations, Banking Sector.

INTRODUCTION

Financial sector reforms; 1991 have changed the face of Indian banking industry. These economic and financial reforms introducing the operating environment for Banks which has moved the banking industry gradually from regulated environment to a deregulated market economy. These market developments kindled by liberalization and globalization have resulted in changes in the intermediation role of Banks. That pace of Transformation has been more significant in recent times with technology acting as catalyst. The process of deregulation and reforms in the Indian banking system resulted in the creation of an efficient comparative banking system. Deregulation opened up new vistas for banks to increase their revenues by diversifying into universal banking. Investment banking, bank assurance, mortgage financing, depository services, securitization, personal banking. This globalization increases the soundness the financial system as the whole and facilitates the global competitions. At the same time liberalization the opened up the market for new players a brought a greater competition among the banks. To survive in this competition, in information communication technology significantly contributed exponential growth and profit of financial institutions world wide. The banks in developed countries are working primarily via internet as non-branch bank; banks in the developing countries use the internet as an information delivery too to improve their relationship with customers. Now Today's, banking industry is expected to be a leading player in e-business. Banks have established an internet presence with various

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objectives. These means the banks in India are using web for three different purposes like; to offering the banking products, to marketing the information. and to improve the customer relationship with the bank.

SIGNIFICANCE OF THE STUDY

IT spending of banking system would increase with the sizeable initial investment The development of information Technology has brought a revolution in the banking industry And The Banking sector go beyond its traditional role and is now playing an vital role in the key areas in risk preference, liquidity, securitization. This reforms in the banking sector and introduction of E-Banking has made structural changes in the quantity of providing services, operational performance, profitability, managerial decision, managing risk in IT, implementation of IT in the banking sector & productivity of the banks. Through these E-banking, bank offers various financial services with equivalent quantity and lower cost to more potential customers. These means the bank can expand their market without opening any new branch. These paper is mainly examines and studies the various emerging Technological innovations in the Banking sector and studies about how it is useful for the customers, and highlighting the challenges ahead of the banks in recent trends. This study is based on the secondary sources of information such as book, RBI bulletins, and research papers in journals.

OBJECTIVES OF THE STUDY:-

- To study about the role & impact of ICT on e-services of banking
- To analyze the banking innovations after computerization in the Indian banking sector.
- To point out of the among e-banking channels
- To identify the effectiveness of IT and managing Risk in IT and implementation of IT in the Banking sector.
- To study about the challenges faced by banks in the changing scenario.

NEW INNOVATIONS IN THE BANKING SECTOR

Banking industry in India has achieved new heights with changing times. Today, customer satisfaction is the prime responsibility of banks. Bank customers are today more informed than ever before because IT has given a rise to new innovations in the product designing and delivering the products & services to customers with efficiency & effectively manner. In India the population of youth the age between 14-29 is the largest youth population globally which around 27% of the total 1.2 billion. And the age group between 30-34 the proportion is 47%. They are among those who are early adopters of the latest technology and new services.

The following Technological innovations have been adopted by the Indian bank:

On-Line Banking

Net banking makes it easy to transfer one's money from one branch in a particular city to another branch in another city. One can open a FD account via the net. One can order for issue of a demand draft or a banker's cheque, enquire on the balance in one's savings, current and FD account for the current and previous financial year.

Tele-Banking

Tele-banking refers to banking on phone services. It enables the customer/user to transact his banking operations over a telephone call. Tele-banking is extensively user friendly and cost-effective in nature. It offers a range of options to the users to choose from.

Electronic funds Transfer/Point of Sale (EFT/POS)

EFT/POS is a step towards paperless and cashless banking .Terminals is provided at store, shop and such other places. Customer pay for their shopping with ATM/Plastic Cards. On inserting the card in the EFT/POS terminal and feeding the PIN, the computer will authorize the transfer of funds from the user's account.

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ATM (Automatic Teller Machine)

It's an electronic cash dispenser dispensing cash any time. Besides the account holders can deposit cash any time enquire about their accounts position without going to the bank. It is Any Time Money. In India, the private sector banks are aggressive in installing ATM due to the regulation imposed by RBI in setting up branches. The complete cost of running an ATM-installation, site preparation, cash maintenance, maintenance and processing is about Rs.18 lac per annum

Credit Cards

The card business is increasingly popular in the country. This card has a limit decided by the bank on the basis of customers annual income. The customer does not need to carry cumbersome cash with himself. Then the customer pays the dues with grace period available to him (normally 7 days). The card contains magnetic tape which contains information in digital form.

Debit Cards

It lies between a credit card and ATM. The customer account is linked with the savings bank account and every time the customer makes purchases his account is instantly debited. The debit card can be signature-based or PIN-based. While the PIN-based card is more secure the signature-based card is very popular. It is safe from both the customer as well as the bankers. The customer cannot spend more than the balance he has in his account, so risk is minimum.

SWIFT

The acronym SWIFT stands for Society for Worldwide International Financial Telecommunications. SWIFT allows members of financial institutions to exchange information amongst each other electronically. Services offered by SWIFT are cost-effective, reliable and secure. Since, SWIFT is an exclusive telecommunication network of banks and financial institutions, more than 900 major banks of the world are connected to this system. Moreover, it provides connection to 3000 users spread over 84 countries all over the globe.

Auto-Swift Facility

This facility is being provided by almost all private sector banks and some public sector banks. This is the combination of savings as well as fixed deposit account. The customer can operate it as a savings bank account, issue cheque and simultaneously get the benefit of the higher interest rate. The operation is simple. The account holder gets the higher interest on the fixed deposit account till cheque is issued against the deposit. UTI Bank calls it as Flexi-Deposit account whereas ICICI Bank calls it a Dual Powder account.

Mobile Banking

The latest means of communication for the bank is mobile banking. This problem has been done away with the mobile banking. The account holder with help of his mobile phone can carry out transactions with the bank. He can check balance with the bank, order stop payment, request for the cheque book and statements.

ECS (Electronic Clearing Services)

ECS (credit) is provided by RBI and SBI at 15 and 29 centers in India respectively. The number of transactions under ECS credit is 7m (1998), 168 corporate institutions are availing the services. ECS (Debit) is available at 10 centers when transactions of about 1 million (1999). The important project of next five years is opening of computerized clearing houses in centers in more than five bank branches. Computerizing the operations of clearing house at major centers managed by commercial banks (other than MICR) through the items based magnetic media based clearing software. Interconnecting of 1000 commercially important centres accounting for 70% of deposits and 55% of advances for fast and flow.

Real Time Gross Settlement (RTGS)

Real Time Gross Settlement system, introduced in India since March 2004, is a Interlink Research

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Analysis system through which electronics instructions can be given by banks to transfer funds from their account to the account of another bank. The (RTGS) Real Time Gross Settlement system is maintained and operated by the RBI and provides a means of efficient and faster funds transfer among banks facilitating their financial operations.

CHALLENGES FACED BY THE BANKS

New innovations Technologies has rapidly changed the traditional way of doing the banking business. As well as if changes the unique opportunities and challenges for the banking industry. Developing the technology it is maximize essential to achieve and maintain the high service and efficiency standards. Managing technology adoption is the key challenges for the Indian banking sector. Developing countries like India, has a huge number of people who don't have access to banking services due to scattered and fragmented locations. But if we talk about those people who are availing banking services, their expectations are raising as the level of services are increasing due to the emergence of Information Technology and immense competition between the services & products provided by different banks. Since, foreign banks are playing in Indian market, the number of services offered has increased and banks have laid emphasis on meeting the customer expectations. The major challenges faced by banks today are as to how to cope with competitive forces and strengthen their balance sheet. Today, banks are groaning with burden of the Indian banks are subject to tremendous pressures to perform as otherwise their very survival would be at stake. The application of IT and e-banking is becoming the order of the day with the banking system heading towards virtual banking. Timely technological up gradation is also major challenge because, already electronic transfers, clearings, settlements have reduced translation times. To face competition it is necessary for banks to absorb the technology and upgrade their services.

The problem of resistance from workforce has largely been neutralized over the years, but the primary issue involved with the adoption and rapid integration of technological processes within banks still related to human resources- the availability of technically skilled resources is scarce. Technology is not among the core competencies of financial institutions, which necessitates outsourcing. Banks in India are different from banks in many other countries, in ways that they have a very large branch network and varied needs specific to regions and customers. Most off the shelf solutions are not exactly in conformity to the needs of the banks, which makes room for large customizations. Besides, a serious concern in implementing complex technologies is protection against frauds and hackings. Security concern slows down technology adoption significantly for the banking industry. A fast pace of development of security systems is imperative to the adoption of large scale innovations in the industry. Another issue is that of business process reengineering, which is required after computerization. Failure to successfully carry out BPR neutralizes the benefits that an institution wishes to accomplish via adoption of a technological process. And the other thing is to discuss about the challenges is to retain customer is now becoming a major challenge for the banks. Because banks need to retaining the customer and increasing the market share. Bank customer are today more inform than ever before and have level of confidences in choosing the product of services providers of themselves. In addition customers have a more price sensitive as indicated by the change customer reaction to pricing the strategies for a banking products and services. For a changing customer a behavior banks need offer the more innovative and personalized services in the digital channels which safety to attract and retaining the customer.

CONCLUSION

India is one of the top 10 economies in the world, where the banking sector has tremendous potential to grow. The number of ATMs has doubled over the past few years, with more than 100,000 in the country at present (70 per cent in urban areas). They are estimated to further double by 2016, with over 50 per cent expected to be set up in small towns. Also, the scope for mobile and internet banking is big. At the start of 2013, only 2 per cent of banking payments went through the electronic system in the country. Indian public sector banks that hold around 75 % of market share do have taken initiative in the field of IT. Today, mobility and customer convenience are viewed as the primary factors of growth and banks are continuously exploring new technology, with solutions and greater regularity. Banks have to offer the more innovative personalized services to customers. Actually banks have to adopt the holistic approach to satisfying the ever changing needs of the customers and capture the good market share. However, the banks faced the numerous challenges such as increased Competition from private banks, from MNCs, Managing diversified needs of customers, network management challenges when bank exploring the technology. Development of sophisticated products with low cost technology is the key. This analysis plays a very important role in devising new strategies, products and services. Due care will have to be made while

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