

“EMERGING TRENDS IN BANKING & FINANCE”

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Abstract : 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 straights by using information technology as a platform and endeavoring to scale higher heights. An attempt has been made in this paper to examine various innovative instruments that have been introduced by Banks in recent times. Liberalization and Information technology has attracted many foreign banks to India, thereby opening up new markets, new products and efficient delivery channels for the banking industry. In the development of Indian Economy, Banking sector plays a very important and crucial role. With the use of technology there had been an increase in penetration, productivity and efficiency. It has not only increased the cost effectiveness but also has helped in making small value transactions viable. It also enhances choices, creates new markets, and improves productivity and efficiency. It has been noticed that financial markets have turned into a buyer's markets in Indian Commercial Banks in India are now becoming a one-stop Supermarket. The focus is shifting from mass banking to class banking with the introduction of value added and customized products. Technology allows banks to create what looks like a branch in a business building's lobby without having to hire manpower for manual operations.

The branches are running on the concept of 24 X 7 working, made possible by the use of Tele banking, ATMs, Internet banking, Mobile banking and E - banking. These technology driven delivery channels are being used to reach out to maximum number of customers at lower cost and in most efficient manner. The beauty of these banking innovations is that it puts both banker and customer in a win- win situation. Effective use of technology has a multiplier effect on growth and development.

KEYWORDS : – Banking Sector, Risk Management, Automated Systems and Processes, Mobile Banking, EFT and Knowledge Management.

INTRODUCTION

With the globalization trends world over it is difficult for any nation big or small, developed or developing, to remain isolated from what is happening around. For a country like India, which is one of the most promising emerging markets, such isolation is nearly impossible. More particularly in the area of Information technology, where India has definitely an edge over its competitors, remaining away or uniformity of the world trends is untenable. Financial sector in general and banking industry in particular is the largest spender and beneficiary from information technology. This endeavours to relate the international trends in it with the Indian banking industry.

The last lot includes possibly all foreign banks and newly established Private sector banks, which have fully computerized all the operations. With these variations in the level of information technology in Indian banks, it is useful to take account of the trends in Information technology internationally as also to see the comparative position with Indian banks. The present article starts with the banks perception when they get into IT up gradation. All the trends in IT sector are then discussed to see their relevance to the status

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of Indian banks.

TECHNOLOGICAL DEVELOPMENT IN BANKS :

Developments in the field of information technology strongly supports the growth and inclusiveness of the banking sector by facilitating inclusive economic growth . IT improves the front end operations with back end operations and helps in bringing down the transaction costs for the customers. The important events in the field of IT in the banking sector in India are:

- ❖ Arrival of card-based payments- Debit/ Credit card in late 1980s and 90s.
- ❖ Introduction of Electronic Clearing Services (ECS) in late 1990s.
- ❖ Introduction of Electronic Fund Transfer (EFT) in early 2000s.
- ❖ Introduction of RTGS in March 2004.
- ❖ Introduction of National Electronic Fund Transfer (NEFT) as a replacement to Electronic Fund Transfer/Special Electronic Fund Transfer in 2005/2006.
- ❖ CTS in 2007.

EMERGING TRENDS IN BANKING TECHNOLOGY :

- ❖ Financial Inclusion
- ❖ Mobile Banking
- ❖ Electronic Payments
- ❖ CRM Initiatives
- ❖ IT Implementation and Management
- ❖ IT for Internal Effectiveness
- ❖ Managing IT Risk
- ❖ IT for business innovation

SIGNIFICANCE OF THE STUDY :

The use of Information Technology in all spheres of financial and banking sectors is a deep reality. The sector has enabled the banking sector to go beyond its traditional role and is now playing an increasingly important role in its key areas of operation as securitization, risks preference and liquidity among others to which IT helps in a big way. It has assumed such high levels that it is no longer possible for banks to manage their IT implementations on a standalone basis. With I.T. revolution, banks are increasingly interconnecting their computer systems not only across branches in a city but also to other geographic locations which high-speed network infrastructure and setting up local areas and networks are now exposed to a growing number. The customers have high expectations and have become more demanding now as they are also more techno-savvy as compared to their counterparts of the yesteryears. They demand instant, anything and anywhere banking facilities. Though Reserve Bank of India has formulated many policies on adoption of I.T. in the overall working of the commercial banks in India, yet there is an urgent need to address the issues involved in this respect to compete with the banks at international level. As such there is a great need to focus more on this aspect. The present study helps a lot in this regard.

OBJECTIVES OF THE STUDY:

- ❖ The study has following objectives:
- ❖ To find out the progress of computerization in all the public sector banks of India.
- ❖ To analyse the banking innovations after computerization of public sector banks of India.
- ❖ To analyse the ATM progress in the public sector banks of India.
- ❖ To identify challenges in the implementation of I.T. solutions in the public sector banks of India.

LITERATURE REVIEW :

The following studies on Information technology in banking sector, related directly or indirectly have been reviewed in this chapter. Dr. SatishTanajiBhosale, Dr. B.S Sawant,“ Technological Developments in Indian Banking Sector” :This paper talks about the roleof banking sector in the development of Indian Economy. So banks need to optionally leverage technology to increase penetration,

improve their productivity and efficiency, deliver cost-effective products and services, provide faster. Efficient and convenient customer service and thereby, contribute to overall growth and development of the country. It highlights that technology allows transactions to take place faster and offer unparalleled convenience through various delivery channels. This paper also talks about various technologies like MICR, Cheque transaction system, RTGS, NEFT etc. Dr. V.S Mangnale, Ms. J.V Chavan, Mr. A.DRandive, “ E-CRM in Indian Banking Sector, Golden Research Thoughts : This paper highlights that technology, people and customer are the three elements on which hinges the success of banking in the fast changing economic environment. The ultimate performance of a bank depends upon the satisfaction of its customers. In the emerging competitive and technological driven era, banks have to strive hard for retaining and enlarging their customer base. E-CRM is the latest buzzword in the corporate sector and is perceived as one of the effective tool in this direction by banks. This paper analyzes the concept of e-CRM in Indian banks from its various dimensions covering specifically its need, process, present status and future prospects. KPMG, “Technology enabled transformation in Banking”, The Economic Times Banking Technology , Conclave 2011: The article has concluded that Information technology in banking is fast evolving. From enabling banking services to driving transformation in the industry, Information technology holds a promise to change the face of banking in the next few years. New entrants are looking to leverage their existing strengths in the Indian banking arena. The opportunity available to these entrants through leveraging their understanding of technologies and markets they operate in, promises innovative business models with a focus on delivering customer value. The pace of change aided by regulatory directions, will push banks to direct their strategies to a customer centric focus over the next four years.

RESEARCH METHODOLOGY :

The present study is based on the secondary data collected from different journals, magazines, sites and published data from various issues of RBI and different Public sector banks. Various studies on this subject have also been referred in this study. The heads and other functionaries have also been contacted personally to collect the required data for this study.

FINDINGS :

Indian banking industry, today is in the midst of an IT revolution. A combination of regulatory and competitive reasons has led to increasing importance of total banking automation in the Indian Banking Industry. The bank which used the right technology to supply timely information will see productivity increase and thereby gain a competitive edge. 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. Information technology offers a chance for banks to build new systems that address a wide range of customer needs including many that may not be imaginable today.

ELECTRONIC PAYMENT SERVICES - E CHEQUES

Nowadays we are hearing about e-governance, e-mail, e-commerce, e-tail etc. In the same manner, a new technology is being developed in US for introduction of e-cheque, which will eventually replace the conventional paper cheque. India, as harbinger to the introduction of e-cheque, the Negotiable Instruments Act has already been amended to include; Truncated cheque and E-cheque instruments.

ELECTRONIC FUNDS TRANSFER (EFT) :

Electronic Funds Transfer (EFT) is a system whereby anyone who wants to make payment to another person/company etc. can approach his bank and make cash payment or give instructions/authorization to transfer funds directly from his own account to the bank account of the receiver/beneficiary. Complete details such as the receiver’s name, bank account number, account type (savings or current account), bank name, city, branch name etc.

should be furnished to the bank at the time of requesting for such transfers so that the amount reaches the beneficiaries’ account correctly and faster. RBI (Reserve Bank of India) is the service provider of Electronic Funds Transfer (EFT)

AUTOMATIC TELLER MACHINE (ATM) :

Automatic Teller Machine is the most popular device in India, which enables the customers to

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withdraw their money 24 hours a day 7 days a week. It is a device that allows customer who has an Automatic Teller Machine (ATM) card to perform routine banking transactions without interacting with a human teller. In addition to cash withdrawal, Automatic Teller Machines (ATMs) can be used for payment of utility bills, funds transfer between accounts, deposit of cheques and cash into accounts, balance enquiry etc.

REAL TIME GROSS SETTLEMENT (RTGS) :

Real Time Gross Settlement system, introduced in India since March 2004, is a Interlink Research 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. As the name suggests, funds transfer between banks takes place on a 'Real Time' basis. Therefore, money can reach the beneficiary instantaneously and the beneficiary's bank has the responsibility to credit the beneficiary's account within two hours.

POINT OF SALE TERMINAL :

Point of Sale Terminal is a computer terminal that is linked online to the computerized customer information files in a bank and magnetically encoded plastic transaction card that identifies the customer to the computer. During a transaction, the customer's account is debited and the retailer's account is credited by the computer for the amount of purchase.

TELE BANKING :

Tele Banking facilitates the customer to do entire non-cash related banking on telephone. Under this device Automatic Voice Recorder is used for simpler queries and transactions. For complicated queries and transactions, manned phone terminals are used.

CONCLUSION :

Indian public sector banks that hold around 75 % of market share do have taken initiative in the field of IT. They are moving towards the centralized database and decentralize decisions making process. They possess enviable quality manpower. Awareness and appreciation of IT are very much there. What is needed is a 'big push' the way it was given in the post nationalization period for expansionary activities. IT and India have become synonymous. Whether India becomes a destination for outsourcing or it becomes a development centre is matter of debate. As far as banking industry in India is concerned it can be said that although the Indian banks may not be as technologically advanced as their counterparts in the developed world, they are following the majority of international trends on the IT front. The strength of Indian banking lie in withering storms and rising up to the expectations from all the quarters catching up with all the global trends is a matter of time.

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