Tactful Management Research Journal
ISSN: 2319-7943
Impact Factor : 2.1632(UIF)

THE GLOBALIZATION OF COMMERCIAL AND ELECTRONIC BANKING

Dr. P. S. Vairale and Prof.V. M. Badwaik

Department of Commerce,
RMG Arts & Commerce College, Saoli.Dist. Chandrapur.

Abstract : The globalization of banking raises questions about banks' liquidity management, their response to liquidity shocks, and the potential for international shock propagation. It was commenced in United States that influence the monetary transmission mechanism both domestically and in foreign markets. Having global operations insulates banks from changes in monetary policy, while banks without global operations are more affected by monetary policy than previously found. Electronic Banks serve as important in term editors. In recent years, with the development of technologies and techniques, options for communication with banks are expanding for clients. New services are originating such as home banking, phone banking, internet banking and others.

Key words: Globalization, Commercial Banking, Electronic Banking, International Markets, Banking Technology.

INTRODUCTION

As financial markets have become increasingly globalized, banks have expanded their global operations; developing growing networks of physical branches and subsidiaries in foreign Countries. We refer to such entities as "global" banks. Increasingly what happens in local neighborhoods is influenced by the activities of people and systems operating around the world.

Financial market plays a vital role in mobilisation and collection of savings in the economy which provides useful inputs for formulation, implementation of policies and thus facilitates liquidity management which is consistent with the macro-economic policy objectives. The financial sector globalization, liberalization and deregulation along with technological advancement have integrated international market which has facilitated the scope for uninterrupted mobility of funds in various financial markets of the world. 1

Sophisticated information systems have made globalization possible. However, to show just how much the economy is impacted by globalization, all one has to do is examine the impact on all of the world markets when the U. S. economy had a downturn and when the European sovereign debt crisis occurred in Greece.

Monetary policy transmission through banks has long been noted as one of the key channels for policy effectiveness. Seminal work by Kashyap and Stein (1994, 1995, 2000) shows that this lending channel differs across players within the banking system of the United States. While lending of small banks appear to be highly responsive to monetary policy shocks, the same is not true for larger banks.

The internationalization of financial markets, technology and some manufacturing and services bring with them limitations. In addition, the emergence of institutions such as the World Bank, the European Union and the European Central Bank involve new constraints. While the influence of nation states may have shrunk as a part of the process of globalization, it has not disappeared. A crucial aspect of globalization is the nature and power of multinational.

Electronic Banking use modern communication media for remote communication with the bank: a modem, telephone, computer or payment card. A characteristic feature of these services is the client's uninterrupted round-the clock account access, i.e., independent of banking business hours and the ability to execute local and international payments directly from the comfort of the home or office. 2

Electronic communication means are particularly coming to the forefront. These are more convenient, faster, and often cheaper for clients. Banking experience shows it is suitable to use combinations of several communication means, depending on individual segments, clients, and types of operations, products and situations. Electronic banking is a service that specifically uses electronic communication forms.

GLOBALIZATION OF ECONOMIC

The British banking industry is actively supporting the process of change that has been initiated and the helping built on the domestic reforms. The British banks have a vital interest in ensuring that the result of these efforts is indeed an open and competitive European financial market. 3 The global economy experienced an overall deceleration and is estimated to record an output growth of 2.4 percent during the past year.

Banking has gone through many dramatic changes in the last two decades. Trade has had a major impact on the need to operate the banking system on a global basis. There have been extensive regulatory changes, advances in information and banking technologies, the acceptance of the market economy by former non- capitalist economies, and the increase in integration of international financial market and institutions.

First there needs to be a diversification of banking activity and the tendency towards dealing in financial derivatives. This includes the diversification of banking services at the funding sources, the issuance of marketable deposit certificates and long term loans from outside the banking system, the diversification granted and the establishment of banking and securing holding companies. In other words, bank debts need to be transferred to securities and engaging in new investment areas such as investment banking and the financing of the privatization at the income level to engage in non mainly in currency transactions, issuing of securities, the establishment of investment funds, and insurance issuance through sister insurance companies for the management of investments holding companies for the benefit of customers.4

This theme is of interest to macroeconomics for the insights generated on the monetary transmission mechanism, to international finance for implications on the propagation of shocks across borders, and to corporate finance and banking studies by providing evidence of existing Capital market frictions even for very large institutions.

In terms of lending spillovers from large banks, we can assess the domestic consequences across affiliated small banks and affiliated foreign branches and subsidiaries. For the economic impact on lending of small banks, we use the estimated coefficients from Table 6. An increase of 100 basis points produces a decline in C&I loan growth of 0.4 percentage points for the small domestic banks affiliated with a domestic only BHC.

The spread of capital circuits, plus a strong institutionalized infrastructure, have created a global financial market the developments of which are felt very quickly on domestic markets. These evolutions, which involve significant systemic risk, have led many analysts' restraint concerning financial and capital market globalization. This restraint is caused by the opinion resulted from the analysis of crises consequences which have occurred after 1990. So, these crises are believed to be a direct consequence of the effects of globalization. Sustaining this point of view, these analysts invoke the financial crises in Latin America (1994), East Asia and Russia (1997) and Argentina. The global financial crisis triggered in 2008 can beaded to this list, which followed the American financial market crisis of the risk mortgages (2007).

The identification of the banking strategy in which the bank should seek for sectors in which there is a comparative advantage, and which advantages may develop that may become relative later on must be identified by the bank. The bank must expand the product mix and banking services continuously so that they may become integrated and convenient to customers, rather than relying on traditional financial services to achieve profit margins and have effective control their costs. There needs to be a restructuring of community banks. Taking into account the rapid development of technology, so management can approach the levels of marketing, and focus on the promotion of banking services is the challenge for the future. Banks also need to manage risks in lending operations to meet the rapid changes in positions of debtors with emphasis on the importance of policies for the management of assets and liabilities. 5

Community banks also need to work to develop human resources through rehabilitation and training in such a way as to fit with the developmental process and the requirements of modern banking technology. There needs to be implementation of modern banking technology and introducing modern services and products to deliver those services to clients in the local market.

Identification Strategy

We test our conjectures on the importance of global banks and internal capital markets with a set of alternative and complementary empirical strategies. We begin by re-examining the existing evidence on the bank lending channel, introducing a distinction among banks based on the global orientation of their balance sheets. We begin by assessing the degree of sensitivity to monetary policy of global banks and that of similar banks whose business is however confined within domestic boundaries. Because global banks are mainly large banks, we restrict our analysis to banks that in every quarter were in the upper five percent of the asset distribution of all U.S. banks. These are the banks that in Kashyap and Stein (2000) were all combined into a single group of banks and found to be insulated from monetary policy.

Globalized Banking Sector

The banking area, a part of the financial and economic system Increased globalization and the integration of financial markets result in more efficient dissemination of information and advances in banking technology, you would expect to find increased growth in commercial banks. Furthermore, you would expect large bank to progress technologically more than their smaller counterparts, since they are in a better position to take advantage of international exchanges of new technologies and emerging innovations. 6

The entire banking sector has undergone a restructuring during recent years as a result of recent developments. New technologies have added to the competition. The I-T revolution has made it possible to provide ease and flexibility in operations to customers thus making life simpler and easier. Rapid strides in information technology have, in fact, redefined the role and structure of banking in India. Further, due to exposure to global trends after Information explosion led by Internet, customers - both Individuals and Corporate - are now demanding better services with more products from their banks. The financial market has turned into a buyer's market. Banks are also coping and adapting with time and are trying to become one-stop financial supermarkets. The market focus is shifting from mass banking products to class banking with the introduction of value added and customized products.

There appeared, in our country as well, a mixture between the banking sector and that of insurance, between commercial banks and investment banking sector, between the banking sector and the real estate and real estate securities markets, using financial and operational leasing operations. Another consequence of globalization due to international trade is represented by the growth of the multinational banking sector, reflected in the opening of branches and subsidiaries in countries other than the country of origin of the bank. These effects of globalization have generated the need to harmonize banking regulations, to facilitate the extension of regional and global spread of banking services.

Before the globalisation of the economic crisis, the banking system in Romania was offering standardized products, carrier of controllable risk categories from a prudential perspective. Emphasizing the competition demonstrated however that these products could not cover the market requirements. Under these conditions banks have turned towards the diversification of products and towards the expanding of the market share of the traditional products.

MONETARY TRANSMISSION

This study makes direct contributions to the literature on the lending channel for monetary policy effectiveness.7 by emphasizing the changing orientation of banking activity we propose a substantial re-examination of the mechanics of the lending channel. A liquidity shock no longer starts and ends on the balance sheet of a given bank: it now extends and links together balance sheets of the same organization across borders.

Monetary policy transmission through banks has long been noted as one of the key channels for policy effectiveness. Seminal work by Kashyap and Stein (1994, 1995, 2000) shows that this lending channel differs across players within the banking system of the United States.

As financial markets have become increasingly globalized, banks have expanded their global operations, developing growing networks of physical branches and subsidiaries in foreign countries. We refer to such entities as “global” banks. We test our conjectures by analyzing the response of U.S. banks to changes in monetary policy. Using more than twenty years of quarterly data we find evidence that corroborates our conjectures regarding liquidity management in global banks. Global operations and global liquidity management are traits that can make loan supply effectively insulated from domestic monetary policy. The activation of internal funding within the bank and across international locations is key to such insulation, and it is also a main channel of transmission of domestic shocks into foreign lending markets. This channel is symmetrically used in response to positive and negative liquidity disturbances. This study makes direct contributions to the literature on the lending channel for monetary policy effectiveness.8

If lending by banks is affected by monetary policy, the testing approach maintains that bank lending becomes more dependent on balance sheet liquidity in times of policy tightening and less dependent in times of monetary policy loosening. Hence, the sum of the coefficients of the monetary policy indicators in the second-step regression would be positive and significant for the bank lending channel for either the global bank or the domestic bank specifications.

U.S. banks with a global presence are indeed insulated from domestic monetary policy shocks. We also find that it is exactly their global nature that allows insulation. Differently from any study on internal capital markets that we know of, in this particular case we are able to use data on actual internal flows of funds between a bank's own domestic and foreign offices. We find that globally-oriented U.S. banks reallocate funds internally – and in a sizeable manner - in response to domestic monetary policy shocks. At the same time, large U.S. banks, but those with domestic-only activity, exhibit sensitivity to monetary policy. For these banks there does not seem to be complete frictionless access to alternative sources of funds, whether internal or external.

ELECTRONIC BANKING

Banking experience shows it is suitable to use combinations of several communication means, depending on individual segments, clients, and types of operations, products and situations. Electronic banking is a service that specifically uses electronic communication forms Electronic banking can be divided on the basis of the instruments used: telephone connection, personal computers, means of payment and self service zones.

Telephone banking and the first banking services using classic telephone lines for communication date back to the turn of the sixties and seventies of the last century. These services grew very rapidly and at the close of the 20th century mobile phones also started to be used in banking with the development of information and communication technologies. In this period banks quickly responded to the dawning of a new erain using mobile telephones world-wide and began communicating with their clients by SMS messages, with GSM banking later becoming a natural component of electronic banking.

An automated telephone system works on the basis of a menu through which clients can move around using buttons on the telephone. The service menu tree is usually designed to be simple so that a choice does not take too long. More extensive information is sent to the client by fax either to a telephone number agreed in advance or to a number requested by the client.

Opportunities for mobile phone usage in communication with a bank are much greater. Mobile phone use represents a direct communication channel that spread on a massive scale through which clients have immediate access to typing a bank operation, ordering services or working with accounts.9

Phone banking is the provision of banking services using a classic telephone line. A bank client can obtain the necessary information on dialing a telephone number specified in advance. Before the requested banking service information is provided, the client's identity is determined using contractually agreed terms. The client advisor or so-called telephone banker is a bank employee capable of providing any information about products and services and, following verification that he is speaking with an authorized person, He can provide advice to the client and offer further banking products.

SMS banking uses short text messages sent through the client's mobile phone. SMS text messages can be used for both passive and active operations similarly as with classic telephone banking. A client sends the bank a correctly form acted message which processes it and answers the client's request by SMS. Information sent on request mostly concerns current interest rates or currency exchange rates. Providing these is simple for the bank because this is publicly accessible information that needs no protection. One condition for using the service is that the client must have a mobile phone supporting WAP technology. Security is again provided by an electronic key.WAP banking has not caught on very well so far, some banks however continue to offer it despite the relatively low number of users.

Mail banking is another electronic banking service that makes it possible to communicate with the bank by electronic mail or e-mail. The most frequently used service is sending account statements at agreed periodicity to the client's mailbox. E-mail is not used for more complex operations.

Home banking is a service that enables a bank client to handle his accounts from a computer from a place selected in advance, at home or in the office. A home banking system usually consists of two parts: a bank computer program and a program in the client's computer. The bank program works as a communication server. It receives calls from clients, verifies their identity, receives data from them, authenticates digital signatures, generates digital receipts and sends data to clients.

Electronic Banking using Personal Computers Along with significant growth in the usage of mobile phones in banking practice, personal computers have also come to the fore, which to an even greater extent facilitate and modernize banking service provision. In an information society this communication instrument plays an irreplaceable role and is indispensable for the present day banking sphere. The area of electronic banking realized through personal computers can be divided into home banking, internet banking and mail banking.

Payment Instruments and Self-Service Zones Apart from those already mentioned, there are other more or less widely known forms of electronic banking, including a payment card, an electronic wallet and a self-service zone. A payment card is currently one of the most widely used payment instruments designated for authorized holders through which they can perform non-cash payments or cash withdrawals from an extensive network of automated teller machines. An electronic wallet represents a chip card similar to a payment card that contains a record of a financial sum that is available to its owner. A payment card in combination with a password is used to access a self-service zone. It is also possible to use other authentication devices, such as an electronic key, but also a fingerprint. Self-service zones are available 24 hours a day, 7 days a week. In expert circles it is sometimes possible to encounter another form of electronic banking: fax-banking. A fax is however mostly used as an addition to other forms, such as telephone banking, when a client agrees with the bank that all output would be sent to him by fax.

CONCLUSION

In the current economic juncture, globalization is a phenomenon that can not be avoided. It may lead to economic growth, if the advantages of this process are capitalized adequately and in close connection with the best internal policies and with the financial, fiscal and monetary appropriate leverage.

To accomplish total globalization, a common currency must be established which will ease the entry of foreign banks into domestic markets that can contribute to more efficiency through increased competition. On the other hand, a currency crisis in an emerging market would exaggerate this situation. Domestic borrowers, including banks, that obtain funds from abroad, usually borrow in a foreign currency such as the dollar to give foreign investors some reassurance about the value of their investments. The effect of financial globalization, therefore, on domestic financial fragility is not simple. Foreign direct investment both lowers the incidence of banking crises and shortens its duration

Unfortunately, several concerns related to the banking sector still remain. The chief among these is the matter of ownership and control. In the near future, India will be forced to apply the norms of developed countries to the Banking Industry. Consequently, many Indian banks (including some of the biggest) will show very poor return ratios and dozens of banks will go bankrupt. Thus, it becomes imperative that the Banking Industry should streamline itself and become more compatible with global norms in the fields of operation and services.

The consequences are statistically and economically significant. The mechanisms we identify imply that, under increasing banking globalization, the impact of monetary policy on domestic bank lending and on the U.S. economy as a whole is more attenuated, while at the same time the domestic shock is transmitted more broadly to foreign markets through affiliated banks. A continuing process of increasing banking globalization suggests that the lending channel within the United States could be declining in strength, with international transmission rising for policy and shocks originating in the United States.

As a concluding remark, in principle the importance of the internal capital markets across globalized parents and their foreign affiliates may be predicated on the regulatory and macroeconomic regimes at home and abroad. For the channels we identify the role of the foreign policy regimes warrants further careful study. The potential for viewing foreign markets as a liquidity buffer against U.S.-generated liquidity shocks may rely on the presumption that the cost of capital in foreign markets does not move in step with the U.S. federal funds rate.

REFERENCES

1)G.S.Batra ,Globalisation of Financial Markets ,Deep & Deep Publications PVT.LTD. F-159,Rajouri Garden, New Delhi-110027 page no.3

2)G.S.Batra ,Globalisation of Financial Markets ,Deep & Deep Publications PVT.LTD. F-159,Rajouri Garden, New Delhi-110027 page no.4-5

3)Kala, J. – Pradka, M. Elektronické bankovnictví [Electronic Banking], 1st edition, Praha, Compute Press, 2000, ISBN 80-7226-328-5

4)Berger, Allen, Nathan H. Miller, Mitchell A. Petersen, Raghuram G. Rajan'"Does Functio Follow Organizational Form? Evidence from the Lending Practices of Large and Small Banks", Journal of

Financial Economics, vol. 76 (May 2005), pp.237-69
5) B a r i , I., Proiectarea unei noi arhitecturi a sistemului bancar în condiţiile globalizãrii financiare, in Economic Journal, year X, no.24, July 2007
6)I o n e s c u, M.C., Relaţii economice. Piete, bani, bãnci, Expert Publishing House, Bucharest, 2000
7) Armantier, Olivier, Sandra Krieger, and James McAndrews, 2008, The Federal Reserve's termauction facility, Current Issues in Economics and Finance 14, 1-11
8)For basic references on the lending channel see, e.g., Bernanke and Blinder (1988), Bernanke and Gertler (1995), and Kashyap and Stein (1994, 1995, 2000).
9)Koraus A.: Bankovníctvo na Slovensku (Banking in Slovakia). Kritena a kontext vstupu do Europskej unie (Criteria and Context of Accesion to the European Union). Bratislava: Sprint, 1997, pg. 126.
10)Act of the National Council of the Slovak Republic No. 215/2002 Zb. on the electronic signature.
11)Act of the National Council of the Slovak Republic No. 510/2002 Zb. on the payment system.
12)http://www.jaspi.justice.gov.sk
13) http://www.banky.sk.