



TECHNOLOGY IN INDIAN BANKING SECTOR

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Abstract - Technology is a boon to several industries in the post modern world, and the banking industry is another one to benefit from the multi dimensional efficiency levels of technology. Technology banks helps in the process of clarity, simplicity and efficiency in complex banking processes, also reaches out for something superior and a wider range of customers. Services provided through the means of computers, mobiles and other telecommunication mediums have also added upon the benefits and multitude of tasking for the banks. The importance of technology in the banking sector has made banking a very easy affair.

Hence this paper focuses on to study how banks are updating its technology to excel in their services.

Key Words: Technology, Electronic banking, ATM.

I. INTRODUCTION

Technology is a boon to several industries in the post modern world, and the banking industry is another one to benefit from the multi dimensional efficiency levels of technology. Technology banks helps in the process of clarity, simplicity and efficiency in complex banking processes, also reaches out for something superior and a wider range of customers. Services provided through the means of computers, mobiles and other telecommunication mediums have also added upon the benefits and multitude of tasking for the banks. The importance of technology in the banking sector has made banking a very easy affair.

The introductions of ATMs, internet banking and phone banking are all the outcomes of the technological modifications. Banking has definitely improved from just being somewhere one had to rush every now and then to keep a tally of their accounts and to deposit and withdraw cash, to something which is so easy and efficient that it does not at all seek for added attention. Electronic banking has also emerged as one of the most efficient delivery channel for the banking industry. Information technology of IT revolution has essentially changed the face of the world and the economic, financial and social status has taken a giant leap from what it used to be previously. The financial operations are very fast and reliable and that has eventually resulted into strengthening the banking sector.

The cost of global funds transfer has gone down drastically due to the progressive nature of the technology. An unprecedented economical and financial expansion is witnessed across the globe and the IT revolution forms the basement of it. The new age customer faces has also undergone a radical change from its yester years counterparts and they are much more tech savvy themselves and demanding and would essentially want to avail the most improved version of services for themselves. The back office requirements and financial accounting is also managed by the banks through the development of advanced software. Other services include everything from medical, electrical, telephone and shopping bill payments to payment of excise duty and service tax, railway and air ticket booking, prepaid mobile recharges, instant alerts, sports updates, movie tickets bookings, mobile banking, international money transfer and so on and so forth. Express delivery, funds transfer, card to card transfer, instant software download to stop payment, payment blockings every little detail and service is provided by internet banking and other technological services.

The importance of technology has eventually contributed a lot in the way of cost reduction for the customers and has offered a varied number of products and services. Thus costs cuttings have a direct effect influencing the profit margins therefore resulting into a thriving business sector. Technology henceforth, is the main reason of development and growth of the banking sector.

Apart from all this, technology aids the adept security measure for the banking houses in order to secure the customer confidentialities and monetary details. Giant business houses have their important papers, documents and passwords stored up in the banks which are taken care of by the highly sensitive and skilful technological security devices.

Objectives of the Study

- To study how technology ease the payment systems.
- To study the benefits of Technology banking.

Significance of the Study

Indian banking industry, today, is in the midst of an IT revolution. The Indian Banking fraternity is adopting the latest



technological advances to address the threat of competition and to meet customer expectations. A combination of regulatory and market forces has supported the implementation of technology and automation in the Indian banking industry.

II. ELECTRONIC PAYMENT SYSTEMS

The modes of payment have surely changed in so many different ways. But it is important to take note that this change is on a positive note and not a negative one. In relation on how we get to make payments, the introduction of payment systems into the market has clearly made things a lot better. These systems are designed to make money transfer from one account to the other quick and easy as it can be done in a matter of seconds. The systems will come in two distinct features but for now we want to take a quick look at some of the different types of electronic payment systems. These are the kind of systems that will accept payments through electronic means.

III. ELECTRONIC FUNDS TRANSFER SYSTEMS

Electronic funds transfer (EFT), is simply the use of electronic means to transfer funds directly from one account to another, rather than by cheque or cash. The new momentum bring financial industries to new perspective globally, for the most part to encourage competition intensifies when products and services offered are more or less similar. Customer's satisfaction is able to become a weapon to influence the banks performance and determine its competitiveness and success. Customer satisfaction is considered to be one of the most important competitive factors and identified as the one best indicator's of firm future profits. Relatively, satisfaction has a direct impact on bank's performance and it also becomes a benchmark for customer's preferences to choose their banker. Therefore, financial sector focused on the lifetime value of the customer base rather than focused on cost of transaction. Nevertheless, banks must aware the importance of coordinating their business operation to create synergies and the necessary for the continuous creation and distribution of value to ensure the level of customer satisfaction. Innovation is vital in securing better relationship with the banks whereby it reflects on the performance of the banks. Banks must set a benchmark of service quality delivered, particularly being known that service industry involved with personal touch. Dissatisfaction towards banks services might jeopardize the customer satisfaction level which leads to the performance of the banks. Customers are getting smarter to distinguish the quality of service. In order to remain in the industry, there is a need for the banks to ensure that they fulfill customer needs and wants, if the customers are satisfied with a provided goods or a particular service, the probability that they use the service again increases.

Table 1: ECS transaction in Rs. Billion

Retail electronic clearing	2010-11	2011-12	2012-13
ECS (debit)	736.5	833.6	1087.5
ECS (credit)	1816.9	1837.8	1771.5
EFT/NEFT	9391.5	17903.5	29044.5

Source: RBI, Annual Report

Real Time Gross Settlement System (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.

Table 2: Trend and progress in RTGS

*SI PS	2010-11	2011-12	2012-13	2013-14	2014-15
RTGS	484872.3	539307.5	676841.0	734252.4	754032.4

Source: RBI, Annual Report *Systemically Important Payment System (SIPS)

Electronic cards

Electronic cards are designed to reflect your bank account. By having one, it means that you definitely do not need to visit your bank physically in order to access your account. Mostly cut out of hard plastic material to make them durable, the cards will have a magnet trip that allows the machines to be able to gain access to your bank account electronically. They will come in three major types, the debit card, the credit card, smart card and the prepaid card. All that the vender has to do is to swap your card across the payment system where a message will be sent to your bank and immediately reply with a confirmation message. All this is done in a matter of seconds.



Internet

This is a unique payment system that allows transactions to occur online. There are normally different sites through which you can be able to do this but the two most commonly practiced methods of online payments are direct transfers from one bank account to another or the use of cards.

Use of mobile phones

Mobile phones are turning out to be more than just a communication gadget. They are even referred to as smart phones due to the many additional features that they have. Although it will give you limited transactions to carry out, the best kinds of payment system available for mobile phones are mobile banks. There are a number of mobile subscriber firms that have developed the app that allows the mobile users to have an account that they can gain access to through their mobile phone number.

Online accounts

This kind of payment system is slowly on the rise. We can attribute this to the increase of online shopping. Having an online account with either PayPal money bookers and or any provider allows you to be able to transfer funds more quickly as there are no restrictions and limitations on what you can do with your electronic money. One can be able to access their online accounts through their phones and or computers. These accounts are so simple to use. One can be able to choose what kind of electronic payment system they wish to have as there is no limitation on the number of different types of systems one can have.

IV. BENEFITS OF TECHNOLOGY BANKING

Leveraging technology for improving customer focus benefits the bank in various ways.

Cost Reduction

Although technology is a big ticket investment, it yields a substantial return by way of huge reduction in transaction and maintenance costs. Use of automated procedures and introduction of non-branch channels – in addition to making banking convenient for the customer – have drastically cut employee costs. The emergence of new channels has led to fewer footfalls in branches. Branches are therefore smaller, spending less on real estate and rent. Technology also helps analyze as well as predict customer behavior, which helps banks improve resource utilization and efficiency by selling the right product to the right customer through the right channel at the right time.

Table 3: Transaction Charges

TRANSACTION	CHARGES AT BRANCHES	CHARGES ONLINE
Cashier's Order	Minimum Rs. 100 for amount upto Rs. 100,000 or 0.1% of value for higher amounts	Free
Demand Drafts	0.3% of draft value (Minimum Rs. 100)	Free

Performance Improvement

Take the example of the processes underlying a product purchase. Existing customers feel quite frustrated when they are asked for the same information each time they take up a new product. The issue is compounded when they make simultaneous purchases offered by the bank's different business lines. From the bank's point of view, customer information silos and disparate processes across business units or product categories mean higher cost and longer delay in fulfilment. Technology can alleviate this problem by integrating data and processes across the banking organization, to deliver a smoother experience to the customer and better performance to the bank.

Customer Loyalty

When customers see their bank going the extra mile to meet their expectations, they become more loyal and might even turn into advocates.

Improved Revenues

Ultimately, technology that is used to improve customer focus leads to higher revenues by way of better retention and cross sales.

V. CONCLUSION

In today's technologically advanced and competitive environment offering excellent services to customers is essential. Whether large or small, traditional or non-traditional, regional or global, all banks now face a similar competitive imperative. Short-term survival and long-term success require simultaneous focus on often conflicting priorities: reducing operating costs, driving new sources of revenue and building capital. Growth can be achieved through innovative customer friendly strategies to stem the reduction of the customer base and to grow deposits. This all must be accomplished in the market which is getting extremely competitive. While the competition is a fact of life and banks need to be geared up for the same, the competition is going to intensify in the coming days, both from traditional competitors (banks) and also from non-bank entities. Banks need to innovate and improve their efficiency to remain competitive and the role of technology in this regard is very critical. Technology banking saves time and



money for both customers and bankers. Technology banking is operated through Personal Identification Number (PIN). At most secrecy must be maintained by the customer for safest use of Tech banking.

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