

TECHNOLOGICAL TAKE OFF IN THE BANKING INDUSTRY

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ABSTRACT

Every bank today has an enthusiastic technology mission of its own, in view of the banking sector wide-open to competition by the public, private as well as foreign sector banks, these banks are forced to increase the pace of adoption of Information Communication Technology (ICT) because of their public image and higher public confidence yet and also the RBI drive, the first responsibility of which is towards the PSBs and through them to the vast Indian Public of more than 100 crores who need to be catered quality and standard banking services. This is in tune with the drive of the Indian economy towards modernity and developed status by 2020. Technology has played a significant role in improving the efficiency of the financial system in recent years. It is also being viewed as an excellent tool for providing a fair exhaustive range of products and extending banking facilities to the vast multitude of population. The present paper is an attempt to examine the technological takeoff in the banking industry.

KEYWORDS: *Information Technology, Indian Economy, Banking Industry, Financial System.*

Introduction

The importance of the Banking Industry lies in its mobilization of Public Savings and channelizing them as Credit and Investment into Agriculture, Business, Industry and other sectors of economy, which keep the economy giving and growing and is thus primitive of economic growth and welfare. In addition, in India, the banks especially the Public Sector ones, are to aid the poor, unemployed youth, Women, Self-help Groups (SHGs) etc. in their self-employment efforts and finance the “priority” sectors of agriculture, small scale industries etc. which make the banking sector “doubly” important. the sector, as such, should be in a position to well cater to the credit and investment needs of the economy, which is expected to grow at the rate of 9-10% per annum consistently for the country to attain the status of “developed” nation by 2020.

Technology

Hence, a heavy responsibility is vested in the Banking sector of the country, for which the main constituents of the sector namely commercial banks (CBs) need to be in a good working and growing mode. They need to reach one to the general public with the latest mass technologies of information and communications (ICTs) which are making waves in each and every field of human activity, mainly

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business. For, technology or technologies are well prevented to be the main source of growth in the present times, following which there is a lot of stress on research and development (R&D) for new products and processes etc. Whether it is service oriented, agriculture industry or education, technology is held to be the key for a takeoff of those sectors towards modernity and economic take off. In this regard one is familiar with the Nation's break-through in the life line agriculture sector in the 1970s with the technology of hybrid seeds, which is known as the Green Revolution. This is a very familiar story of technological revolution or solution of the country, which is coming to the fore in the other sectors.

Among other things, the Technology is seen to cut down costs, reduce man-power requirements, promote efficiency, speed up work and cause increased production and productivity, which is at the care of modern economic growth in any sector, not to say of the core banking sector.

The ICTs are admitted to be pre-eminent and very apt technologies for the Banking Industry (BI) which should enable the sprawling Indian Banking Industry (IBI), still under developed into the realm of a developed banking industry. Happily this fact has been long driven home to the Industry by the apex regulatory and exemplary, Reserve Bank of India (RBI), which has an ICT Mission for the Industry through several committees starting with the first Dr.C.Rangarajan Committee on Computerisation in 1985. Initially, it was quite well known and usual with the Indian Labour Union, there was opposition to computerization as a labour replacing measure. The opposition was alarmistic. The ICTs have opened up many new avenues of employment in the fast expanding service sector from marking of one's home products and personal services to BPO and in all of which India is a world IT power. With the ICTs it seems a different working world, including in Banking from which cash flows 24 hours a day and one can make purchases and "pay" without a Rupee in the Pocket/purse through the innovative credit and debit cards and mini or micro cards and ATMs as well. The Result is a new Banking Industry and experience with global reach.

"The real growth of modern commercial banking began in the country when the Government was awakened to the need. Every bank today has an enthusiastic technology mission of its own. In this, what are known as the New Private Sector Banks (NPSBs) like ICICI and HDFC appear to set the trend in ICTs and the PSBs, in view of the banking sector wide-open to competition by the private as well as foreign sector banks, are forced to increase the pace of adoption of ICTs because of their public image and higher public confidence yet and also the RBI drive, the first responsibility of which is towards the PSBs and through them to the vast India Public of more than 100 crores who need to be catered quality and standard banking services. This is in tune with the drive of the Indian economy towards modernity and developed status by 2020

The Banking Industry

"The origin of modern banking in India for banks was with the establishment of the first Presidency bank (1806), called the Bank of Bengal in Calcutta in that year, then followed the establishment of two other Presidency Banks, namely, the Bank of Bombay in 1840 and the Bank of Madras in 1843, to each of these banks, the Government had subscribed Rs. 3 lakhs to their share capital. These Presidency Banks, however, enjoyed the monopoly of Government banking. They were also given the right of note issue in 1823, which was however, withdrawn in 1862

The year 1860 is a landmark in the history of public banks in India, since in that year the principle of limited liability was first applied to Joint Stock banks. Since then a number of banks followed such as the Allahabad Bank in 1865 which continues to exist as a major PSB.

"Eventually, at the time of Independence in 1947, India inherited an extremely weak banking structure with urban orientation, comprising 544 small non-scheduled banks and 96 scheduled banks, giving bulk finance to the trading sector.

In the history of Indian banking, 19 July, 1969 is a red letter day, when 14 major banks with a deposit base of Rs. 50 crores each was nationalized to take banking to the masses and to the greatly unbanked rural areas. There was a second nationalization of the then 6 major commercial banks with a deposit base of Rs. 200 crores and above on April 15, 1980. Thus, Indian banking is of greatly nationalized character, which was further enforced with the nationalized banks starting Regional Rural banks of their own for purely rural operations. Another landmark in the banking sector is opening of the sector to the new private and foreign banks in the 1990s, following the liberalization of the economy, resulting in a three sector-public, private and foreign banking economy with rural, semi-urban, urban and metropolitan branches which need to take off technologically.

The ICT In Banking

It was during the post financial sector reforms (1990-91), the financial sector has been a large user of information technology (IT). Banks, in particular, have been increasing using IT in their day to day operations. Over the years, banks have (a) extended the reach of core banking solutions (CBS) to more branches, so as to facilitate anywhere banking; (b) introduced technology based products and services such as mobile banking; and (c) expanded the internet banking facilities and Banks have been increasingly using the NEFT for ensuring wider reach for electronic fund movement (since then) .

The Reserve Bank of India has also framed guidelines and standards relating to common inter bank requirements through the Financial Sector Technology (FST) Vision Document 2005-08. the vision document expects the banks to formulate their IT policies in line with the direction given by the Reserve Bank so as to move towards better IT systems and inter-bank messaging.

ICT in Banking is fairly exhaustive

- Computerisation
- Net working
- Core-Banking Solution (CBs) (Anywhere Banking)
- Telebanking
- Internet/mobile banking
- Electronic transactions such as Real Time Gross settlement (RTGs) and National Electronic Fund Transfer (NEFT) and other electronic modes.
- New Banking products and services such as credit and debit cards,
- ATMs
- Kisan Cards
- Others

The Public sector banks alone are estimated to have made a technological investment of Rs. 10,676 crore on computerization and development of communication networks. The result is nearly 78 percent of branch computerization.

During the same period, the ATMs appear the ultimate in the new banking technology of ICT or the New ICT Banking, in which too there appears a take off with the PSBs somewhat falling behind the private and foreign sector banks of which, particularly of FBs, ATMs seem USPs and brand ambassadors, may score in off-site ATMs, which is taking the fore-ever cash machines to the convenience sites of their customers who are greatly HNIs (High Network Individuals) and now the trend is that the Public sector Banks are far ahead with respect to installations of ATMs as compared with private and foreign banks.

The new IT Bank products very prominently credit cards (CCs) one's passport to cash less purchases and Debit cards (DCs) which are a display of one's cash worthiness, the number of credit card users at that time was some 20 m (now numbering to 28.8 million as on 2017) with a healthy growth rate. Thus, on the whole, there is a takeoff of DCT banking in the country, the results of which are found favourable both to banks and the banking as well as the general public.

"Technology has played a significant role in improving the efficiency of the financial system in recent years. It is also being viewed as an excellent tool for providing a fair exhaustive range of products and extending banking facilities to the vast multitude of population. The result of it all is a healthy banking industry which is found to be doing well in terms of deposits, credit, share prices, P/E profitability and is well able to stand up to foreign competition and is venturing abroad. Above all, is the complete public faith in the sector, particularly in the PSBs. The ICT drive, mission and vision of the RBI was since the 1980s, with a far foresightedness to build up a banking industry of world standards, service excellence and public orientation.

Online Payment System & Banking Service

Unhappily, IT or ICT do not automatically seem to spell excellent banking services with a good public image, and a good public relations and customer relationship management (CRM). The aim of IT is a good CRM first and foremost. On this, the banking public appears not happy with their banks from house keeping to staff behaviour. There is no balanced banking, especially among the private sector

banks inspite of their IT forwardness, with their seemingly exclusive concern with the professionals and HNI, NRI etc. They have a poor showing/on the CRM scale. Even the top bank of SBI is found itself wanting in this respect and is on a makeover mode.

The Banks are found wanting in deposit mobilization and in teaching out the substantial un-banking public. In credit cards the banks are charged with high charges, the highest in the world.

Another, though the RTGS infrastructure is being provided free of costs to the banks by the RBI, the banks are found changing the customers for the facility apart from under utilizing the system.

Technology has played a significant role in improving the efficiency of the financial system in recent years. It is also being viewed as an excellent tool for providing a fair exhaustive range of products and extending banking facilities to the vast multitude of population. Above all, is the complete public faith in the sector, particularly in the PSBs in view of the expert and fully public and service oriented standard of the sector by the Reserve Bank of India, which clearly ranks among the top central banks in the world.

Conclusion

Thus, in sum while there is a takeoff ICT banking, there appear to be no good take off of the banking services which is very much exercising no less a body than the RBI, not to speak of the banking public.

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