

## **VIRTUAL BANKING: A CASE STUDY OF INDIAN COMMERCIAL BANKS**

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### **Abstract**

The banking sector in India adopted the use of computers only in the early 1980's , however it was only by the end of that decade that the adoption to computerization started growing and many branches have begun using computers in view of the ongoing development process in the economy.

Use of modern, state of the art technology in banking is increasingly seen as an essential ingredient not only of good customer service, but also of good housekeeping. The good old manual system on which the Indian banking industry has depended upon for centuries are perhaps unable to deliver the goods any more . Hence this repeated outcry for the use of modern technology is seen as panacea for the ills that afflict the banking sector today. The present study is an attempt to analyse the role of virtual banking and payment system in select Indian commercial banks.

The **Virtual Banking** is the provision of accessing the banking and related services online without actually going to the bank branch/office in person. Simply, availing the banking services through an extensive use of information technology without any requirement for the physical walk-in premises is called as virtual banking, any financial institution that offers the traditional banking services online is termed as a virtual bank. Virtual banking enables a customer to pay bills online, check account details, secure loans, withdraw and deposit money anytime as per the convenience. The present study focuses on virtual banking in Indian commercial Banks (General View)

**Key Words** : Virtual Banking, Online Payments, RTGS, ATM, MICR, Information Technology.

### **Introduction**

Information Technology (IT) is a revolutionary technology which is sweeping every field of human activity. The technology has immense application in the banking industry, of particular interest

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is bringing together the banks and their customers into an immediate and close relationship. Accordingly, the new technology is expected to enable the banks to render more and better services to their customers, who are the very foundation of the banking system.

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Some common forms of virtual banking are, ATMs, use of magnetic ink character recognition code (MICR), Electronic clearing service scheme, electronic fund transfer scheme, RTGS, computerized settlement of clearing transactions, centralized fund management schemes, etc.

One of the advantages of virtual banking service is that the transactions can be checked in real time, i.e. as and when the transactions are made and the customer is not required to wait for the day or a month to end to check the transaction details. The cost incurred in handling the transactions is lower than the traditional form of banking, and also, it charges low fee comparatively because of less overhead expenses.

Also, the response time has increased manifold with the invent of online banking. The customer can access his account any time round the clock and indulge in the banking activities as per his convenience. **Online payment** refers to money that is exchanged electronically. Typically, this involves use of computer networks, the **internet** and digital stored value **systems**.

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Use of modern, state of the art technology in banking is increasingly seen as an essential ingredient not only of good customer service, but also of good housekeeping. The good old manual system on which the Indian banking industry has depended upon for centuries are perhaps unable to deliver the goods any more . Hence this repeated outcry for the use of modern technology is seen as panacea for the ills that afflict the banking sector today. The present study is an attempt to analyse the role of virtual banking in Indian commercial banks.

Hence, it is IT- Virtual Banking and online payment system literature which is taken care or reviewed, which may be called the new IT- virtual Banking- online payment systems literature, which is relatively a new literature, yet on which there is an outpouring of studies.

The then RBI (Reserve Bank of India) governor, Dr.Y.V.Reddy, in his address to the 25<sup>th</sup> Bank Economists conference in Mumbai on 13<sup>th</sup> December, 2003 titled "Towards Globalization in the financial sector in India" , first notes the phenomenon of Globalization is something like a 'free-for-all world of business and enterprise, the world, according to the governor, Dr.Reddy, is brought together due to developments in the field of technology or technological field and changes also in the financial sector such as cross-border flows of capital. He viewed that Indian banks are not up to world standards and in this regard it is noted that banks in India very much fall short of foreign banks in technology and it called upon to bridge this gap.

In another exercise, "Technology in Banking: Problems and Prospects", Chairman K.C.Chowdhury , Vijaya Bank, Bangalore, has dealt with the problems of introduction of IT in banking such as infrastructure, power, trained manpower, training , etc., and the prospects of keen competition. That is IT offers a wide competing area for banking, according to him IT, among other things, calls for a close CRM, which is good relationship banking.

In another seminal study D.Gosh Roy, who had an intimate field view of the problem for nearly a decade, finds customer services particularly in the public sector banks anything but respectful and satisfactory and he makes out his point by a number of case studies; according to which the Indian commercial banks are quite away from IT and good customer services.

There is thus a broad national angle and development perspective to IT, virtual Banking and CRM, According to which the theme has to come from the confines of banks to the national and social arena. It is to be noted that the above studies did not focussed on online payments. Applauding the Indian government's initiatives to boost digital payments, global financial technology experts said India has become world leader in this space (GES – November, 2017) As others are trying to emulate its Aadhaar project.

### **Information Communication Technology - ICT**

With the ICT 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 as well. The Result: It is a new Banking Industry and experience with global reach.

### **Super premium credit cards**

Super premium credit cards are high-end credit cards with no spending limits. These cards are given only to ultra-high net-worth individuals (UHNW). These cards not just allow to shop but also bring you brag value, and access to a premium lifestyle and luxury goods to buy – for example, imagine getting a ticket to a sold-out Justin Bieber concert. SPCs come with world-class concierge services that go to extreme lengths to take care of their UHNW Customers' wants and needs.

Every bank today has an enthusiastic technology mission of its own. In this, what are known as the New Private Sector Bank (NPSBs) like ICICI and HDFC appear to set the trend in information communication Technology (ICT) 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 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

### **Online Payment Systems**

"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 bank 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 formalities. Banks have been increasingly using the NEFT for ensuring wider reach for electronic fund movement

The Reserve Bank of India has also framed guidelines and standards relating to common interbank 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 common inter-operable standards for IT systems and inter-bank messaging

Virtual Online Banking and payment system in Indian commercial banks is fairly exhaustive:-

- (i) Computerisation
- (ii) Net working
- (iii) Core-Banking Solution (CBs) (Anywhere Banking)

- (iv) Telebanking
- (v) Internet/mobile banking
- vi) Electronic transactions such as Real Time Gross settlement (RTGs) and National Electronic Fund Transfer (NEFT) and other electronic modes.
- (vii) New Banking products and services such as credit and debit cards, MFs.
- (viii) ATMs
- (ix) Kisan Cards
- (x) Others

Initially 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.

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).

Twist : Foreign banks and the deployment of ATMs in India

In perhaps one of the earliest signs of a fall in popularity of Automated Teller Machines (ATMs) , foreign banks have been steadily reducing the number of terminals deployed by them in the country. A close look at RBI data on ATMs deployed by foreign banks across geographies reveal a fall of almost 18% in 3 years between 2014 and 2017.

#### Fall in ATM Operations

S.No	Bank	ATM	
		2014	2017
1.	HSBC	143	100
2.	Citi Bank	577	549
3.	Standard Chartered	279	223
	Total	999	872

Source : The Economic Times, December 2017

With low interchange regime in India, they find it more profitable to leverage the ATM network of other banks for their customers.

Bankers say in the first few years, foreign banks were going big on ATMs as it was a major product differentiator in comparison to normal branches of other banks, but that type of an advantage has died with other banks catching up on ATM deployments. ATMs were a more favourable means of reaching out to customers.

In comparison with Indian Banks both public and private sector banks were found to be slightly increasing their ATM count.

#### ATM Network of Indian Banks

S.No.	Particulars	2014	2017
1.	Public Sector Banks	120000	140000
2.	Private Sector Banks	50000	59365

Source : The Economic Times, December 2017.

Now with everything going digital, banks are relying more on smartphones to attract customers. 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, CCs are estimated at some 20 m. with a healthy growth<sup>26</sup> rate. Thus, on the whole, there is a take off of virtual 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 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. The ICT drive, mission and vision is the RBI's since the 1980s, with a far foresightedness to build up a banking industry of world standards, service excellence and public orientation.

Unhappily, IT or ICT and virtual banking 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 housekeeping to staff behaviour. There is no balanced banking, especially among the private sector banks in spite 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.

Another, though the RTGS – Real Time Gross Settlement System, infrastructure is being provided free of costs to the banks by the RBI, the banks are found charging the customers for the facility apart from underutilizing the system. Thus, in sum while there is a take off of 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.

### **Conclusion**

The perceptions regarding virtual banking, payment systems and IT is given out to have improved the image of banks, it is a wait and watch game to see whether virtual banking services, especially online payments are significant to the levels of excellence and high customer satisfaction, it means that IT does not mean automatic improvement in banking services to the levels of excellence and high satisfaction and it seems that virtual banking will bring significant results. But, as against the expectation of IT, virtual banking services and payment systems are perceived to be falling short of full customer satisfaction in excellence and not any significant CRM is perceived in the commercial banks.

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