

ROLE OF INFORMATION TECHNOLOGY: AN INDIAN BANKING SECTOR

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ABSTRACT

Technological innovations have changed the world banking and financial system to a great extent and became heart of its operational efficiency. Technology has continuously playing crux role in the working of banking sector of India. The Indian population are connected to the internet and online engagement. IT is playing significant role for increasing the number of devices and figures are used for each and every type of activities. The growth and advancements in technology has led to a paradigm shift in the entire banking operations and systems. Internet has significantly influenced delivery channels of the banks. Internet has emerged as an important medium for delivery of banking products and services. A sound banking system is helpful to develop the economy and individual growth. Banking sector is a life line of the country. It is vital for development, growth, and creation of jobs, generation of wealth, encouraging entrepreneurial activity and increasing the GDP. "Today, banking is known as innovative banking. Information Technology has given rise to new innovations in the product designing and their delivery in the banking and finance industries".¹ the research paper divided into five section. In the first part, we explore the increase role of information technology in banking sector. Secondly, I deliberate the increasing use of information technology. Third part of the study is an in-depth study on the impact of technology in banking sector. In the fourth section, we are find out the, obstacles and security during the span of time when we use Information technology in banking sector or transactions, reveals the factors such as, effectiveness of data management, value added services, level of knowledge and awareness, security, safety, service quality, productivity, and profitability. In recent years, the Reserve Bank of India has endeavoured to improve the efficiency of the financial system by ensuring the presence of a safe, secure and effective payment and settlement system. In the process, apart from performing regulatory and oversight functions the Reserve Bank has also played an important role in promoting the system's functionality and modernization on a going basis. Fifth and last part is conclusion and suggestions of the theme paper.

Keywords: Core Banking, E-Banking, Value Added Services, Information Technology.

Introduction

Mostly changes in public sector banks in previous decade. The Indian banking sector is curtail their spending and brought to a grinding halt a decadal growth spree in retail lending. The corporate loan book will grow but significant consolidation in the asset-heavy industries towards a few strong players limits this opportunity. The banking sector is a heart of Indian economy. Banking system plays a very important role in the Indian economy. It is like a central nerve to a nation's economy as it caters to the financial needs of credit in all the domains of the society. It is a major access to credit Information Technology enables sophisticated product development, better market infrastructure, implementation of reliable techniques for control of risks and helps the financial intermediaries to reach geographically distant and diversified markets. Everyone is doing digital banking for personal and professionally use. Banking environment has become highly competitive today. The Indian Public sector banks is the largest players, plays a dominant role in build the economy of an individual as well as a nation. It is have control ever a large part of the supply of money in circulation. I have study and analysis of balance sheet of

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Indian banks. On the basis of operations, Profitability, Capital adequacy, quality of property, loan and advances, technical development, customer services and financial inclusion has been studied for Indian public sector banks. Further the development of e-banking created a massive change in terms of fulfilling customers' divergent needs. To be able to survive and grow in the changing market environment banks are going for the latest technologies, which is being perceived as an 'enabling resource' that can help in developing learner and more flexible structure that can respond quickly to the dynamics of a fast changing market scenario. The two fold objectives of current budget, namely, demonetization and GST, purely depend on digital banking.

Objectives of Research

- To explain the role of information technology in Indian banking sector.
- To identify the increasing use of IT in banking sector.
- To find out the impact of technology in Indian banking sector
- To find out the obstacles and suggestions of IT, when we using.

Research Methodology

The study is based on secondary data and empirical evaluation. The sources of secondary data include banking books, annual reports of RBI, Internet (websites) and research papers of eminent scholars and professors of this field. Also study the various national newspapers. Such as Business line, Business Standard, Mint, and Financial Express. All papers are published at New Delhi. Limitation of my study is depends only public sector banks and period of span of the study is eleven years, from April 1, 2010 to March 31, 2021.

Role of Information Technology

In recent months, PhonePe and Paytm have invested heavily to expand their merchant base. According to Chief executive officer Sameer Nigam said it is working to ensure more merchant partners opt for PhonePe over rival payments firms. "We believe our mission to digitize payments in Indian is a noble one, and we will not stop doing so until we are not allowed to do so anymore... we are not focusing on curtailing market share and will continue to add customers while ensuring acceptance of PhonePe among merchant partners." In November 2020, NPCI announced that a 30 percent cap will be imposed on transaction volumes for payment companies, effective 1 January, and third party payment providers will have two years to comply with the directive.

In addition to the potential improvement in earnings, PSBs are trading at less than 0.7* book value, which makes a strong case for considering them as tactical buys. Sridhar Siyaram, investment director of Enam Holdings, says with every bank having massively provided for its legacy issues. The applications of information technology in the business as well as agriculture increase the agriculture loans, small and medium business loans, and possibly mortgages. Slippage from corporate book, which accounts for over half of PSBs loan assets, is seen as quite negligible.⁶ Now, PhonePe processed close to 975.5 million transactions in February and Google Pay by 147.6 million transactions. In Feb, 54% of UPI transactions on PhonePe were by merchant partners, with highest success rate. PhonePe has nearly 280 million registered users, with 110 million monthly active users, the company said. It has added close to 6.5 million merchants in the last 8 months and claims to have 18 million merchant partners in India.³ These importance points are showing the role of IT in banking sector. In recent months, PhonePe and Paytm have invested heavily to expand their merchant base. Google Pay had registered 857.8 million transactions in October 2020 and had reached a peak of 960 million transactions in November, commanding close to 43% market share in UPI Payments.

Increasing Use of Information Technology

An Indian Banks Association panel is working to set up a platform. Such a platform will help cut investment cost, improve IT infrastructure. The central government has been focus on public sector banks for more digitizing all functions, and financial systems.⁴ Today, and every bank is adopting digital lending platforms, and each one is investing in it. The size of the investment is quite huge, which all banks may not be able to do. If done collectively by an anchor bank or under the PSB Alliance, then a uniform platform can be created for delivery of loan products and other IT initiative. Day by day raising the use of information technology for solve the financial problems and utilize the funds for better growth as well as better performance. All public sector banks as well as whole financial system of the country adopted the technology and information than modify according requirements.

According to Kumar & Vasanth rises the problem of NPA in PSB's in India his research paper "As commercial banks are the backbone of every economy, in such circumstances it is important to check the soundness and proper working of banks. Non-performing assets is an emerging issue in banking system all over the world. It is a burning issue of today's banking. Specifically the problem of NPA in Indian banking is becoming critical." According RBI, keeping in view customer convenience and to give increased thrust to digitalization the high level committee on deepening of Digital Payment. Chairman Shri. Nandan Nilekani recommended the need for extending availability of NEFT on a 24*7 basis to facilitate funds transfer beyond the banking hours, accordingly, at the stroke of midnight of December 15, 2019. The Reserve Bank launched the NEFT 24*7*365. It is expected to revolutionize the payment systems in India. The facility brings India into the elite club of nations which operate a 24*7 electronic funds transfer system with settlement of funds on round the clock basis. The new facility provides enhanced menu of options, convenience and redundancy to the end customer. Now, Indians have got anytime payment facility to transfer money out of their account balance. It also involved introduction of few processes within the Reserve Bank as well as at the member banks to facilitate 24*7 operations. NEFT 24*7 has increased the efficiency of the payment systems with 48 hours settlements a day. The volume of transactions has increased from 2194.6 lakh in November 2019 to 2,605.6 lakh in January 2020 and further to 2,624.0 lakh in March 2020.

The technology rapidly changing and due to the z- generation of the country because youth of the country like the information based and technology task as well as home task perform better and according needs change his behavior and timing of the working hours. Also has been change the recruitment nature such as State Bank of India said in its FY20 reports that it has been recruiting specialized talent on contractual basis in wealth management, IT, information security and risk and credit, to meet the demand of a fast changing business landscape and to meet regulatory norms.⁵ Direct hires and those recruited via the PO route have different salary structures. Private lenders see retail stress build up. Due to the aggressive push for high margin credit cards and personal loans has returned to haunt private banks, raising stress in their retail portfolios as borrowers struggling with pay cuts and jobs losses fail to repay loans on the lack of skills and lack of deep knowledge. Most banks do not provide a break –up of their stressed loan book between retail and corporate segments.

Private sector banks have a higher share of unsecured loans, or loans that are disbursed without any collateral in their books as compared to their state-owned peers- one possible reason behind their higher retail stress. Unsecured loans offer higher returns, though it comes with greater risk. In fact, all banks are gradually changing their strategy on unsecured loans, witnessing the vaunlner ability of such loans to adverse events and external shocks. Unsecured loans include credit cards, personal loans, education loans and microfinance. Non-performing assets (NPAs) in education loans rose to 9.55% in December 2020 from 7.61% in March.⁶ the gross NPA ratio of the banks is still elevated at 23.5 per cent at the end of December 2020 but the trajectory is trending down. Gross NPA ratio was 25 per cent at the end of September 2020, and 26.8 per cent in June, 2020.⁷ In addition, Provision coverage ratio, which is one of the indicators for the strength of the balance sheet, is 90 per cent for IDBI Bank, excluding technical write offs, the best in the industry.

The rate of non-performing assets (NPAs) for education loans in this fiscal was significantly higher than in 2019-20. The education loan is drastically rise from 31 March, 2018 to 31 December 2020. Out of total education loans disbursed, 366,260 accounts worth Rs.8, 587 crore have turned bad, Govt. said.⁸ The central government had offered a moratorium on loan repayments to borrowers, including those who had taken education loans in the first half of 2020.

Impact of Information Technology

- The pandemic has only accelerated the need for employees to develop new skills. For achieve long- term business success, it is not enough for organizations to simply provide employees with a list of training and skilling opportunities to consider.
- The pandemic may have destroyed discretionary spending but Indians have not stopped opting for the convenient equated monthly installments (EMI).
- The cards subsidiary of State Bank of India (SBI), country's largest lender, is also showing an uptick in spends.
- E-commerce has come to the rescue here and online spends for SBI Cards and Payment Services Ltd now contribute more than half of the total spends.

- The impact of the pandemic's second wave on the balance sheet of banks is far more modest than expected, and their capital and liquidity buffers are strong enough to weather any unforeseen surprises, said RBI governor Shaktikanta Das.⁹
- Within banking categories, RBI stress tests showed public sector banks' gross non –performing ratio of and foreign banks could see bad loans at 4.9 per cent by March 2022.¹⁰
- Banking complaints rose 20 per cent in FY19.
- 1, 95,901 complaints were filed in 2018-2019 9.54 per cent in March could rise to 12.52 per cent within a year. Private banks could see bad loans touching 5.82 per cent, but previous financial year 2017-218 is 1, 63,590. The complaints were rise 19.75 per cent.
- 72.19 per cent complaints were received electronically, as against 63.61 per cent in the previous year.
- 94.03 per cent disposal rate in 2018-19, as against 96.46 per cent in the previous year.
- 18.65 per cent regarding ATM and debit card issues in 2018-19 but it was 5.08 per cent in 2017 -18.
- Rs. 3, 145 average cost of handling complaints in 2018-19, then previous years is Rs 3,504. The 11.41 per cent reduced the cost by using the fin teach and technology or digital banking, mobile Banking. The complaints are shouted out.
- Complaints related ATMs and debit cards in 2017-18 adds increased from 15.08 per cent.
- The number of people who are poor in India is estimated to have increased by 75 million because of the covid-19 recession.¹¹

Obstacles and Suggestions

(February 24, 2021, Mint, p.p-6.)

- Canara bank saw 16.74% business declines and 2.14% technical failures on 81.7 mn transactions.
- Only Union Bank of India reported a higher number of technical failures than decline in January.
- Users, especially the elderly, are finding it challenging to navigate the digital landscape.
- The RBI had said that a digital boost must be accompanied by financial literacy.
- Industry watchers also said that the mobile apps of public sector banks are not as user- friendly as those of private sector lenders.
- While covid-19 forced customers across age groups to use online payments platforms, users, especially the elderly, are finding it challenging to navigate the digital landscape.
- To achieve this, it is RBIs endeavor to enhance customer awareness through structured electronic banking awareness and training programs, in collaboration with all stakeholders.¹²
- The Reserve Bank of India (RBI) expects bad debts in the Indian banking system to rise steeply by the end of this fiscal year, but at a rate not as alarmingly high as it was anticipated a year ago, and banks this time are better fortified with capital. within the bank groups, public sector banks GNPA ratio of 9.54 per cent in March 2021 could edge up to 12.52 per cent by March 2022 under the baseline scenario.¹³

Conclusion

This article discusses the various roles and obstacles when we used the information technology in banking sector. There is no doubt to increase the role of information technology in the Indian banking sector. Every day innovative ideas coming in the fields of banking and public banking sector as well as private sector are fight for chough the business and retain the customer for long term for retain the business and generate more profit. so that more competition in this sector day by day new product and new way of services are ready to use for the public. After the information technology used in banking sector thus, reduce the transaction cost as well as service cost and rise the profit though the value added services are provide to the customer in minimum cost. All type of information are available at the website of the organization and though the email id the easily access the information. The requirements are rapidly rises due to the lockdown and social distancing the customer are avoided the branch and market for safe life and using the digital platform for buying goods and other daily basis required goods. The above data showing the demands and needs of citations for better life and smoothly handled business

and other activity, the reserve Bank endeavor to develop efficient, affordable and secure payment and settlement system in the country with the focus to providing every Indian with an access to a bouquet of e-payment options, yielded results during the year, with the help of information technology. Now, we are not surviving without information technology in our daily life and any small or big organization can't be survived without information technology. The better results are obtained with the combination of information technology optimum utilization in banking sector.

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