

ROLE OF TECHNOLOGY IN INDIAN BANKING SECTOR

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ABSTRACT

This paper examines the implementation of information technology and internet based banking in Indian Banking Sector. It also analyzes the benefits of technology in banking sector to customers, banks and to government. UK and USA are the first nations, started technology in banking sector in 1920s. Technology in banking sector becomes popular during 1960 with the use of credit cards and funds transfer. The adoption of Information Technology in India came into existence since last two decades. The operational and transactional cost of banking become very low with the implementation of technology. The banks in India who did not adopt technology lost business rapidly. With the help of internet banks can explore new markets because there are no geographical boundaries. Small banks can also increase their customers with the help of internet and new technology. Now instead of waiting in lines customers can easily avail almost all the banking services at home. This also reduces the pressure at branch level and easy banking for branch visiting customers. ATM machines, net banking and mobile banking are the key services which enables anywhere and anytime banking.

KEYWORDS: *Information Technology, Internet Based Banking, Transactional Cost, ATM Machines.*

Introduction

The present article examines the increasing role of technology in banking sector. It also analyzes the benefits of technology in banking sector to customers, banks and to government. At present banking industry is totally depends upon technology in the areas of online records, easy access, quick service, ATM machines, mobile banking, internet banking, RTGS and other customer services. The use of technology in banking sector become very important due to changed method of maintenance of records. Since last decade, the role of human resources from the IT industry in banking sector increasing. The human resource from the IT industry becomes the first preference of the banking sector.

In previous years banking is very difficult for both customers and employees. The customers had to visit the bank branch for balance enquiry, cash withdrawals, money transfer, check book and other small services. It was very difficult for the employees to maintain records without computer and internet. After the adoption of modern technology like computers, ATM machines, Swipe machines, money transfer vending machines, banking software banking become very easy for both customers and employees. Technology in banking also helps Government for the implementation of various social security schemes and to sort out the problem of black money.

Objectives of the Study

- To know the benefits of technology in banking to customers
- To know the benefits of technology in banking to employees of the banks
- To know the reduction in transaction cost of banks after adoption of modern technology
- To know the benefits of technology in banking to business
- To know the effect on profitability of banks after implementation of new technology
- To suggest the areas where more attention is required for the implementation of technology.
- To know the service quality after the use of modern technology in banking sector.

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Data Collection

Present study is mainly based on the data and information collected from secondary sources. Secondary data is collected from various RBI Bulletins, Report on Trends and Progress of Banking in India, Basic Statistical Returns, Statistical Tables Relating to Banks in India, Annual Reports, Economic and political weekly etc. The executive managers and beneficiaries of banks are also consulted. The study is also based upon published and unpublished materials in:-

- Articles from various magazines.
- Daily newspapers having latest developments in this field.
- Books and Journals of various Authors.

Adoption of Technology in Banking Sector

UK and USA are the first nations, started technology in banking sector in 1920s. Technology in banking sector becomes popular during 1960 with the use of credit cards and funds transfer. In the starting of 1980, the concept of web based banking came into existence in USA and Europe. The adoption of Information Technology in India came into existence since last two decades. The traditional method for growth in banking sector in India was branch expansion. Now technology plays the role for growth and development of banks. The operational and transactional cost of banking become very low with the implementation of technology. The banks in India who did not adopt technology lost business rapidly.

Technology and Banking

- **Debit Cards**

Debit card is a plastic card commonly used for withdrawing cash from ATM and other financial transactions. It can also be used for making payment instead of cash. This feature of banking becomes possible with the use of information and technology in banking sector. At present this feature is the backbone of the banking industry. Debit card is not only used for withdrawing cash from ATM but also for making payment of online purchasing, payment of various bills, money transfer through ATM machine, order new cheque book, balance enquiry etc.

- **Credit Cards**

This is another feature of banking industry which enables banks to provide small loans to customers for their personal needs. A credit card is a plastic card which enable user to pay for goods and services with a specified limit. The bank may charge some charges for such transactions. The limit of the credit card depends upon goodwill and financial conditions of the customer. Like debit card, credit card is also used for all types of payments. In case of debit card the card holder should have balance in his account but in case of credit card the bank pay the amount on the behalf of customer and later on recovered with some charges.

- **Net Banking**

After the adoption of technology, net banking is the most popular and usable feature of banking industry. In this system customer can easily operate his account at home or at office like view and download account statement, money transfer, payment of bills, payment for purchases, order cheque book, apply for ATM, create fixed deposit, operate DEMAT account and other banking services. This feature is also beneficial for banks because it reduced the cost and work load of the banks. This facility of banks becomes possible with banking software which provides personal and corporate banking. So this facility of banking industry also proves the role of information and technology in banking.

- **Mobile Banking**

After the increasing use of Smartphone and data services at low prices, the mobile banking become very famous and usable feature of banking industry in India. In this system a customer can easily operate all banking functions at mobile with the help of mobile application provided by bank. In mobile banking a customer can view balance, obtain account statement, money transfer, payment for online purchases, payment of various bills etc. This restrict the customer to go to bank, which leads to low pressure, cost reduction and improved quality. Mobile banking is the gift of mobile and IT industry.

- **NRI Banking**

Technology in banking also enables the banks to increase the banking facilities for NRIs. Many people settled in foreign countries to work and they can easily send money to their parents and relatives. So technology enhances the NRI banking and NRI banking leads to global mobility of human resource.

- **Remote Banking**

After the installation of ATMs (Automatic Teller Machine) in all areas of rural and urban, there is no need to go to bank branch for transactions like cash withdrawals; cash deposit money transfer, order cheque book, etc. The ATM machines serve for 24 hours for anytime and anywhere banking. This facility helped the village areas for savings of surplus money.

- **Rural Banking**

Technology in banking made easy to open bank branches in rural areas with less staff requirements. This enables banks to expand banking services in rural areas and to expand the business of banks. Now the people of rural areas can deposit the surplus money in banks and withdraw when required. Technology helped the banks to create banking environment in rural areas.

- **DEMAT Account (De- materialized Account)**

DEMAT account is an account to maintain the financial assets such as debt and equity in electronic form. In India Demat account is regulated by NSDL (National Security Depository Ltd.) and CSDL (Central Depository Services Ltd.). Banks act as intermediate between NSDL/CSDL and investor. In Demat account system of maintaining securities one can buy and sell securities from stock exchange through banks. In demat account one can hold the securities for a long time period. This electronic form of holding securities becomes possible after the adoption of new technology in banking. A customized software is used to maintain and buy/sell the securities of investor under demat account system.

Benefits of Technology to Banks

- **Reduction in Transaction Cost**

After the adoption of technology by banks, there is reduction in cost of banking i.e. not paying for tellers or for managing branches. It is very cheaper to make transactions over the internet by using technology and a customized banking software.

- **Expansion of Customer Base**

With the help of internet banks can explore new markets because there are no geographical boundaries. Small banks can also increase their customers with the help of internet and new technology.

- **Increase in Efficiency**

After the adoption of new technology and customized software banks become more efficient. Almost all the banks become paper less.

- **Customer Service and Satisfaction**

With the help of technology and internet banks provide full range of services to customers at home and also provide special services which are not offered at branch level. Now instead of waiting in lines customers can easily avail almost all the banking services at home. This also reduces the pressure at branch level and easy banking for branch visiting customers.

Benefits of Technology to Customers

- **Anywhere and Anytime Banking**

After the use of information technology and internet based banking software, banks are providing anywhere and anytime banking services to customers. ATM machines, net banking and mobile banking are the key services which enables anywhere and anytime banking.

- **Time Saving**

After the use of information technology and internet based banking software the core banking services like cash withdrawals, money transfer, making demand draft etc. takes less time than before. Now customers need not to wait in big queue for cash withdraw and deposit and for other banking services.

- **Reduction in Bank Charges**

After the use of information technology and internet based banking software there is reduction in cost of banking transactions and other operating cost. This enables banks to reduce the various bank charges for customers.

- **Increase in Liquidity**

After the use of information technology and internet based banking software customers can easily withdraw their cash anywhere and anytime from ATM machines. A customer may transfer his money from his account to other account. Even a customer can withdraw his fixed deposit through ATM machines. This enables customers not to hold any cash at home or shop. This increase in liquidity enables customers to earn more interest on their deposits.

- **Benefits of Technology to Government**

After the use of information technology and internet based banking software the Government can easily regulate social security schemes like farmer loan schemes, LPG gas subsidy, various pension schemes etc. The easy and quick banking also facilitate government offices for salary of staff and government payments. The easy and quick banking enhance the business sector in the country which result increase in the employment. Technology leads to expansion in banking sector in rural areas which result advancement of poor people. The people of rural areas can deposit their savings in banks.

Conclusion

Banks in India are playing a very crucial role in the economic development of the country. At present Indian Banking Industry is also playing an important role in regulating various social security schemes of the Government. Banking in India is become very easy and quick as compared to last two decades. There are so many benefits of technology and internet based banking are recognized to customers as well as to banks such as time saving, reduction in cost, increase in liquidity of cash in the country etc. But the implementation of technology in banking in India is not up to mark as compared to other developed countries of the world.

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