



## Role of Information Technology in Banking Industry

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### ABSTRACT

*Information and technology has struck the world as a result of which time & distance have entities to a large extent the information technology has been changed the structure of Indian banking. The concept of banking drastically changes from business dealings with money transaction alone to a business related to information on financial transaction. The technology has been the main facilitators in the process of transformation. The precise impact technology had on the banking industry since 1980 is difficult to assess. Because of the intimacy of relationship between industry and technology it is impossible to separate the two. The use of new technology mean revolutionary innovation of the products & services & delivering them to customers covering aspects bank also will be expected to innovate new products and service to encourage new entrepreneurs and finance new schemes & project brought in by educated unemployment – unemployed youth including venture capitalists.*

**KEYWORDS :** Several innovative IT based derives such as ATM, EFT, Smart Card, and Net Banking, Cash Deposit machine etc.

### INTRODUCTION

Banks are now the forefront in harnessing technology to improve the work efficiency range of products and services. They have started using electronic and telecommunication networks for delivering a wide range of value-added products and services. The delivery channels include direct dial-up connections, private networks public networks etc., and the devices include telephone, personal computers (PCs) including the Automated Teller Machines and PCs with easy access to internet and World Wide Web (www). Internet is increasingly used by banks as a channel for receiving instructions and delivering the products and customers. This form of banking is, generally referred to as Internet Banking, although the range of products and services offered by different banks vary widely both in their content and sophistication.

### INFORMATION TECHNOLOGY ENABLED SERVICES IN BANKS

#### 1. AUTOMATED TELLER MACHINES (ATM):

The evolutionary trend from cash economy to cheques economy and onwards to plastic card economy is witnessed in the introduction of ATMs. ATM OR AUTOMATED TELLER MACHINE outwardly appears like a human weighing machine kept in Railway Platforms. These days, ATMs are securely placed inside the walls of bank's premises. While a weighing machine measures the weight of a person in kilograms, the ATM measures the bank balance of a person in rupees.

#### 2. SMART CARD:

It is a chip based card. It is not only a payment instrument but also an electronic purse. It also serves a number of nonpayment functions, like storing driving license, office 10, loyalty programs etc. In short it can carry the entire personal data base. As the smart card operates of line the customers can read the utilized balance on the card in case of failure of the telecom network. While a debit card or credit card is activated through a magnetic swipe of the card and require telephone connection with the bank and office a smart card is activated through the pin code installed on the chip. This facility gives the smart cards advantages over other plastic and makes it more secure.

#### 3. ELECTRONICS FUNDS TRANSFER:

Provided at store, shops and such other places. Customer pay for their shopping with plastic EFT is a step towards paperless and cashless banking. Terminals are used, on inserting the card in the EFT terminal and feeding the PIN, the computer will authorize the transfer of funds from the user's account.

#### 4. INTERNET BANKING:

Net or Internet Banking refers to extension of banking services through the network of computers. Banking messages can be ex-

changed between the bank and its customers through the net banking system. Hence in the internet banking a customer can ask for his/her bank balance, give other instructions pertaining to his account, call for his/her statement of account, transfer money from money from his/her account, pay college fees, call for cheque book and a number of similar functions through net banking without visiting the bank.

#### 5. MOBILE BANKING:

Phone Banking is yet another banking service offered by banks. Under this system, like in ATM card, a secret code number is provided to each account holder. A customer wanting to know his bank balance or any other information relating to his bank account should dial up a particular phone number indicated by the bank. When the number is dialed, a recorded voice will ask you to identify yourself with your account number and code number. If the numbers are retalled, you will get all the information you want know about your account.

#### 6. Cash Deposit Machine:

Cash deposit machine (CDM) is self-service terminal that enables you to deposit cash without any manual intervention of the branch officer. Now no need to fill deposit slips and stand in long queues at the cash counter. Deposit your cash through the simple and fast CDM installed in the branch and get instant credit in your account.

#### 7. Electronic Payment Services E- cheques

Now-a-days we are hearing about e-governance, e-mail, e-commerce, e-tail etc. In the same manner, a new technology is being developed in US for introduction of e-cheques, which will eventually replace the conventional paper cheques. India, as harbinger to the introduction of e-cheques, the Negotiable Instruments Act has already been amended to include; Truncated cheques and E-cheques instruments.

#### 8. Real Time Gross Settlement (RTGS)

Real Time Gross Settlement system, introduced in India since March 2004, is a system through which electronics instructions can be given by banks to transfer funds from their account to the account of another bank. The RTGS 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.

#### 9. Electronic Clearing Service (ECS)

Electronic Clearing Service is a retail payment system that can be used to make bulk payments/receipts of a similar nature especially where each individual payment is of a repetitive nature and of rela-

tively smaller amount. This facility is meant for companies and government departments to make/receive large volumes of payments rather than for funds transfers by individuals.

#### **10. Point of Sale Terminal**

Point of Sale Terminal is a computer terminal that is linked online to the computerized customer information files in a bank and magnetically encoded plastic transaction card that identifies the customer to the computer. During a transaction, the customer's account is debited and the retailer's account is credited by the computer for the amount of purchase.

#### **11. Tele Banking**

Tele Banking facilitates the customer to do entire non-cash related banking on telephone. Under this device Automatic Voice Recorder is used for simpler queries and transactions. For complicated queries and transactions, manned phone terminals are used.

#### **12. Electronic Data Interchange (EDI)**

Electronic Data Interchange is the electronic exchange of business documents like purchase order, invoices, shipping notices, receiving advices etc. in a standard, computer processed, universally accepted format between trading partners. EDI can also be used to transmit financial information and payments in electronic form.

#### **Conclusion:**

The banking today is re-defined and re-engineered with the use of Information Technology

And it is sure that the future of banking will offer more sophisticated services to the customers with the continuous product and process innovations. Thus, there is a paradigm shift from the seller's market to buyer's market in the industry and finally it affected at the bankers level to change their approach from "conventional banking to convenience banking" and "mass banking to class banking". The shift has also increased the degree of accessibility of a commonman.

## **REFERENCES**

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