



Information Technology in Banking

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INTRODUCTION

Indian banking industry, today is in the midst of an IT revolution. A combination of regulatory and competitive reasons have led to increasing importance of total banking automation in the Indian Banking Industry. Information Technology has basically been used under two different avenues in Banking. One is Communication and Connectivity and other is Business Process Reengineering. Information technology enables sophisticated product development, better market infrastructure, and implementation of reliable techniques for control of risks and helps the financial intermediaries to reach geographically distant and diversified markets.

In view of this, technology has changed the contours of three major functions performed by banks, i.e., access to liquidity, transformation of assets and monitoring of risks. Further, Information technology and the communication networking systems have a crucial bearing on the efficiency of money, capital and foreign exchange markets.

The Software Packages for Banking Applications in India had their beginnings in the middle of 80s, when the Banks started computerizing the branches in a limited manner. The early 90s saw the plummeting hardware prices and advent of cheap and inexpensive but high-powered PCs and servers and banks went in for what was called Total Branch Automation (TBA) Packages. The middle and late 90s witnessed the tornado of financial reforms, deregulation, globalization etc., coupled with rapid revolution in communication technologies and evolution of novel concept of 'convergence' of computer and communication technologies, like Internet, mobile / cell phones etc.

INFORMATION TECHNOLOGY IN BANKING

- Technology has opened up new markets, new products, new services and efficient delivery channels for the banking industry. Online electronics banking, mobile banking and internet banking are just a few examples.
- Information Technology has also provided banking industry with the wherewithal to deal with the challenges the new economy poses. Information technology has been the cornerstone of recent financial sector reforms aimed at increasing the speed and reliability of financial operations and of initiatives to strengthen the banking sector.
- The IT revolution has set the stage for unprecedented increase in financial activity across the globe. The progress of technology and the development of worldwide networks have significantly reduced the cost of global funds transfer.
- It is information technology which enables banks in meeting such high expectations of the customers who are more demanding and are also more techno-savvy compared to their counterparts of the yester years. They demand instant, anytime and anywhere banking facilities.
- IT has been providing solutions to banks to take care of their accounting and back office requirements. This has, however, now given way to large scale usage in services

aimed at the customer of the banks. IT also facilitates the introduction of new delivery channels--in the form of Automated Teller Machines, Net Banking, Mobile Banking and the like. Further, IT deployment has assumed such high levels that it is no longer possible for banks to manage their IT implementations on a standalone basis with IT revolution, banks are increasingly interconnecting their computer systems not only across branches in a city but also to other geographic locations with high-speed network infrastructure, and setting up local area.

INFORMATION TECHNOLOGY NEED IN CONSUMER BANKING

Now a day's Information Technology is no doubt plays a significant role in the growth of other industries. Its need in consumer banking can be justified by the following key considerations where only IT infrastructure can help to handle these issues.

• Fast application processing

By using information technology, the application processing of the customer can be made fast. Electronic transactions take less time to process the application than manual because all the information is available online and relevant application processing persons just have to take the decision on the data available online.

• Better Services to customers

In this era of high competition, it is the better service which attracts the customers toward doorstep. In consumer banking, this can be done by solving all the hurdles that come in front of the customer to avail the product. In this perspective, the information technology seems to be quite useful such as easy accessibility of resources online, fast and easy availability of the product by fast application processing described above.

• Mass consumer client record handling

This problem is a big concern for (CBSP) Consumer Banking Service Providers. In consumer banking, the number of clients is very high and to keep the record of all customers manually is not only hard to maintain but also time consuming and resource intensive. By using any good consumer banking software solves this problem with an ease.

• Reduce calculation errors

By using a good consumer banking software makes the tiring and time taken calculations faster and error free.

• Efficient loan recovery

Because the number of consumer banking clients is large and everyone is not innocent and responsible enough to pay the repayments or dues in time, there is always a need to recover the loan amount from defaulter. Any efficient collection or repayment software is very useful in this context to support the collectors as they need to trace the defaulters frequently to take appropriate action against them for recovery.

• Auditing and fraud detection

With IT framework, banks can closely monitor accounts for risk analysis. They are better equipped to determine patterns of fraudulent activity and identify fraud in time to prevent it, saving their money.

INFORMATION TECHNOLOGY IN BANKING SECTOR E-BANKING

E-banking made its debut in UK and USA 1920s. It becomes prominently popular during 1960, through electronic funds transfer and credit cards. The concept of web-based banking came into existence in Europe and USA in the beginning of 1980.

In India e-banking is of recent origin. The traditional model for growth has been through branch banking. Only in the early 1990s has there been a start in the non-branch banking services. The new private sector banks and the foreign banks are handicapped by the lack of a strong branch network in comparison with the public sector banks. In the absence of such networks, the market place has been the emergence of a lot of innovative services by these players through direct distribution strategies of non-branch delivery. All these banks are using home banking as a key "pull" factor to remove customers away from the well entered public sector banks.

Many banks have modernized their services with the facilities of computer and electronic equipments. The electronics revolution has made it possible to provide ease and flexibility in banking operations to the benefit of the customer. The e-banking has made the customer say good-bye to huge account registers and large paper bank accounts. The e-banks, which may call as easy bank offers the following services to its customers:

- Credit Cards/Debit Cards
- ATM
- E-Cheques
- EFT (Electronic Funds Transfer)
- DeMAT Accounts
- Mobile Banking
- Telephone Banking
- Internet Banking
- EDI (Electronic Data Interchange)

BENEFITS OF E-BANKING TO THE CUSTOMER

- Anywhere Banking no matter wherever the customer is in the world. Balance enquiry, request for services, issuing instructions etc., from anywhere in the world is possible.
- Anytime Banking – Managing funds in real time and most importantly, 24 hours a day, 7 days a week.
- Convenience acts as a tremendous psychological benefit all the time.
- Brings down "Cost of Banking" to the customer over a period of time.
- Cash withdrawal from any branch / ATM
- On-line purchase of goods and services including online payment for the same.

TO THE BANK

- Innovative, scheme, addresses competition and present the bank as technology driven in the banking sector market
- Reduces customer visits to the branch and thereby human intervention
- Inter-branch reconciliation is immediate thereby reducing chances of fraud and misappropriation
- On-line banking is an effective medium of promotion of various schemes of the bank, a marketing tool indeed.
- Integrated customer data paves way for individualised and customised services.

TO THE EMPLOYEES. IT has increased their productivity through the followings:

- Accurate computing of cumbersome and time-consuming

jobs such as balancing and interest calculations on due dates.

- Automatic printing of covering schedules, deposit receipts, pass book / pass sheet, freeing the staff from performing these time-consuming jobs, and enabling them to give more attention to the needs of the customer.
- Signature retrieval facility, assisting in verification of transactions, sitting at their own terminal.
- Avoidance of duplication of entries due to existence of single-point data entry.

IMPACT OF IT ON THE SERVICE QUALITY

The most visible impact of technology is reflected in the way the banks respond strategically for making its effective use for efficient service delivery. This impact on service quality can be summed up as below:

- With automation, service no longer remains a marketing edge with the large banks only. Small and relatively new banks with limited network of branches become better placed to compete with the established banks, by integrating IT in their operations.
- The technology has commoditising some of the financial services. Therefore the banks cannot take a lifetime relationship with the customers as granted and they have to work continuously to foster this relationship and retain customer loyalty.
- The technology on one hand serves as a powerful tool for customer servicing, on the other hand, it itself results in depersonalizing of the banking services. This has an adverse effect on relationship banking. A decade of computerization can probably never substitute a simple or a warm handshake.
- In order to reduce service delivery cost, banks need to automate routine customer inquiries through self-service channels. To do this they need to invest in call centers, kiosks, ATM's and Internet Banking today require IT infrastructure integrated with their business strategy to be customer centric.

IMPACT OF IT ON BANKING SYSTEM

The banking system is slowly shifting from the Traditional Banking towards relationship banking. Traditionally the relationship between the bank and its customers has been on a one-to-one level via the branch network. This was put into operation with clearing and decision making responsibilities concentrated at the individual branch level. The head office had responsibility for the overall clearing network, the size of the branch network and the training of staff in the branch network. The bank monitored the organisation's performance and set the decision making parameters, but the information available to both branch staff and their customers was limited to one geographical location.

TRADITIONAL BANKING SECTOR

The modern bank cannot rely on its branch network alone. Customers are now demanding new, more convenient, delivery systems, and services such as Internet banking have a dual role to the customer. They provide traditional banking services, but additionally offer much greater access to information on their account status and on the bank's many other services. To do this banks have to create account information layers, which can be accessed both by the bank staff as well as by the customers themselves.

The use of interactive electronic links via the Internet could go a long way in providing the customers with greater level of information about both their own financial situation and about the services offered by the bank.

IMPACT OF IT ON PRIVACY AND CONFIDENTIALITY OF DATA

Data being stored in the computers, is now being displayed when required on through internet banking mobile banking, ATM's etc. all this has given rise to the issues of privacy and confidentiality of data are:

- The data processing capabilities of the computer, particularly the rapid throughput, integration, and retrieval capabilities, give rise to doubts in the minds of individuals as to whether the privacy of the individuals is being eroded.
- So long as the individual data items are available only to those directly concerned, everything seems to be in proper place, but the incidence of data being cross referenced to create detailed individual dossiers gives rise to privacy problems.
- Customers feel threatened about the inadequacy of privacy being maintained by the banks with regard to their transactions and link at computerised systems with suspicion.

Aside from any constitutional aspect, many nations deem privacy to be a subject of human right and consider it to be the responsibility of those who concerned with computer data processing for ensuring that the computer use does not revolve to the stage where different data about people can be collected, integrated and retrieved quickly. Another important

responsibility is to ensure the data is used only for the purpose intended.

CONCLUSION

Information technology (IT) is increasingly becoming an invaluable and powerful tool driving development, supporting growth, promoting innovation, and enhancing competitiveness. Emerging information technology offers opportunities for developing nations to leapfrog earlier stages of development. It is also important to note that with an increasingly global environment less limited by time or distance, nations around the world need to get connected and join the global networked community. Otherwise, they may fall further behind and the gap they have with the developed world could get wider. Additionally, there is growing evidence that information technology is becoming an increasingly powerful tool when used as part of an overall development strategy coupled with partnerships between governments, business, and civil society.