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INFORMATION TECHNOLOGY IN INDIAN BANKING INDUSTRY

KEY WORDS:

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INTRODUCTION

Banking atmosphere has developed highly competitive today. To be able to continue and grow in the moving market atmosphere banks are going for the modern technologies, which is being perceived as an enabling resource that can help in emerging beginner and more flexible structure that can respond rapidly to the changing aspects of a fast-changing market situation. It is also observed as a tool of cost reduction and effective communication with people and institutions connected with the banking business. 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 and wide area networks and connecting them to the Internet. As a result, information systems and networks are now exposed to a growing number.

Banking Industry is a backbone of Indian financial system and it is afflicted by many challenging forces. One such force is revolution of information technology. In today's era, technology support is very important for the successful functioning of the banking sector. Without IT and communication we cannot think about the success of banking industry, it has enlarged the role of banking sector in Indian economy. For creating an efficient banking system, which can respond adequately to the needs of growing economy, technology has a key role to play. In past 10 years, banks in India have invested heavily in the technology such as Tele banking, mobile banking, net banking, ATMs, credit cards, debit cards, electronic payment systems and data warehousing and data mining solutions, to bring improvements in quality of customer services and the fast processing of banking operation. Heavy investments in IT have been made by the banks in the expectation of improvement in their performance. But important in the performance depends upon, differences in the deployment, use and effectiveness of IT.

In the development of Indian Economy, Banking sector plays a very important and crucial role. With the use of technology there had been an increase in penetration, productivity and efficiency. It has not only increased the cost effectiveness but also has helped in making small value transactions viable. Electronic delivery channels, ATMs, variety of cards, web based banking, and mobile banking are the names of few outcomes of the process of automation and computerization in Indian banking sector.

OBJECTIVES OF THE STUDY

1. Trace out the phase of Information Technology in Baking Sector
2. Find out the Availability of Technology Products in a Banking Sector
3. Examine the Strengths, Weakness, Opportunities and Threats of Information Technology in Banking Sector
4. Impact of Information Technology in Banking Sector

EVOLUTION OF INFORMATION TECHNOLOGY IN BANKING SECTOR

1. Introduction of MICR based cheque processing
2. Arrival of card based payments
3. Introduction of Electronic Clearing Services
4. Introduction of RTGS/NEFT
5. Introduction of Cheque Truncation System (CTS) or Image-based Clearing System (ICS)
6. Introduction of Core Banking Solutions (CBS)
7. Introduction of Automated Teller Machine (ATMs)
8. Introduction of Phone and Tele Banking
9. Introduction of Internet and Mobile Banking

TECHNOLOGY PRODUCTS IN A BANKING SECTOR

1. Net Banking
2. Credit Card Online
3. Instant Alerts
4. Mobile Banking
5. e-Monies Electronic Fund Transfer
6. Online Payment of Excise & Service Tax
7. Phone Banking
8. Bill Payment
9. Shopping
10. Ticket Booking
11. Railway Ticket Booking through SMS
12. Prepaid Mobile Recharge
13. Smart Money Order
14. Card to Card Funds Transfer
15. Funds Transfer (eCheques)
16. Anywhere Banking
17. Internet Banking
18. Mobile Banking
19. Bank @ Home "Express Delivery"

SWOT OF INFORMATION TECHNOLOGY IN BANKING INDUSTRY

STRENGTHS

1. One of the Oldest Surviving Industries

With the advent of new technology, whole industries are often wiped out. The banking industry, however, has not been so susceptible. It has stood the test of time and helped the human race for a very long period. As life has evolved, banking has morphed and modified itself to meet the recent needs. From inculcating the habit of savings to helping people with financial instruments, banks today play a vital and indispensable role in society.

2. The Pillar of Financial Stability

The banking industry takes a vital role in ensuring the economic prosperity and financial stability of a nation. Banks contribute to the economy by fostering growth. They help the masses manage their wealth and become meaningful contributors to the national as well as the international economy.

3. Provider of Financial Instruments

Banks provide their customers with a large number of financial instruments. Some of the various products offered by banks are stocks, bonds, insurance and savings accounts. Further, banks have also adopted and integrated **digital technology** to provide online banking solutions.

WEAKNESSES

1. Susceptibility to Global Economics

The global banking industry is skewed. Europe has cornered over 50% of the worldwide market, making things pretty unbalanced. Even small changes in the currency exchange rates or spending and borrowing habits of the people of one major nation can cause the entire banking industry to take a hit. Such volatility is not desirable.

2. High Levels of NPAs

NPAs (Non-Performing Assets) are the bane of the banking industry. NPAs usually denote bad loans that cannot be recovered. This naturally leads to financial losses for the bank. NPAs can have a crippling effect on the banking sector, and the economy as a whole. Developing countries such as India face instances of high NPAs which have dealt a severe blow to the banking industry of the nation.

3. Lack of Rural Coverage

It has been observed that in most countries the banking industry focuses mostly on the urban areas, while rural regions are left neglected. This is a significant weakness in the banking industry. A large percentage of the world's population still lives in villages. This is more so in developing nations. By not catering to this demographic the banks are leaving a significant portion of the world population out of the ambit of their services.

OPPORTUNITIES

1. Technological Advancements

The banking industry has always been dependent on technology. This is evident in the slew of digital services being offered by banks today. However, instead of resting on their laurels, banks should continue to adopt the latest technological innovations. They should concentrate on bringing out newer **products** and services in order to attract future generations

2. Rural Expansion Opportunities

The limited presence in rural areas is one of the weak points of the banking industry. But it can actually convert this weakness into an opportunity. By expanding into villages and offering their services to the rural population, banks can expand their customer base considerably.

3. Social Evolution

Human society is evolving both economically and culturally. In this dynamic landscape, the needs and demands of customers with rising income levels are bound to change. Banks need to adapt to this changing society. By providing better services the industry can solidify its place in the future.

THREATS

1. Lack of Proper Cyber Security

The modern banking industry is entirely dependent on the cyber-world. Everything is stored digitally whether it be data storage, monetary transactions or personal information. This makes the banking industry a prime target for hackers who seek to gain financially by exploiting weaknesses in the digital infrastructure of the banks. Unless the banks take proper cybersecurity measures to protect their data, they can face a serious threat from cyberspace.

2. Stiff Competition

Banks worldwide face stiff competition. Not only from other banks but also institutions such as Non-Banking Financial Corporations which offer a number of financial products that all banks do not. This has led to a shifting of the customer base from the banks to NBFCs which find greater acceptance among the new breed of professionals.

3. Global Economic Instability

Currently, the world is going through tough economic times. Trade wars, protectionist policies, and global downturns have

all had an effect on the international banking system. Unless the world economic conditions improve, banks can be facing a dire future.

IMPACT OF TECHNOLOGY IN THE BANKING INDUSTRY

1. Technology is influencing competition and the degree of contestability in banking. Due to the development of technology, bank's superiority in information is deteriorated. Entry barrier have been declining, new competitor have emerged. Some financial products and services have become more transparent and commodities, customer show willing to unbundled the demand for financial products and services, all these lead to a more competitive market environment. Due to lowered entry and exist and deconstruction, for some sub-financial markets, contestability in banking is also raised.

2. Technology influence Economy of scale: Competitive pressure force banks to lower their cost. Bank seeks to get economy of scale in bank procession instead of being a big bank. Bank seeks to secure the optimal business structure, and secure the competitive imperative of economy of scale. There are other options to get economy of scale, including joint venture and confederation of financial firms. Small firms also can get economy of scale by outsourcing, i.e. buy in economy of scale.

3. Technology Influence The Economics Of Delivery Technology has a major impact on the way banking and financial services are delivered. A wide range of alternative delivery mechanism becomes available, Internet, ATM... these Reduces the dependence on the branch network as a core delivery mechanism. With the development of technology, the financial systems are substantially over-supplied with delivery system through a duplication of net work, bank has to change their delivery strategy, rationalize their branch network strategy, and widen the range of delivery option. Banking industry has been taking advantage of the following 22 Technology Product.

CONCLUSION

Information Technology offers enormous potential and various opportunities to the Indian Banking sector. It provides cost-effective, rapid and systematic provision of services to the customer. The efficient use of technology has facilitated accurate and timely management of the increased transaction volumes of banks which comes with larger customer base. Indian banking industry is greatly benefiting from IT revolution all over the world.

The Indian banks lag far behind the international banks in providing online banking. In fact, this is not possible without creating sufficient infrastructure or presence of sufficient number of users. Technology is going to hold the keys to future of banking. So banks should try to find out the trigger of change. Indian Banks need to focus on swift and continued infusion of technology.

The Financial Technology implemented provides strengths, weaknesses, threats, opportunities for the banking world simultaneously to make bankers must improve information technology infrastructure in order to collaborate with financial technology. In turn, it will make improvements to the banking world services so that COSTUMER will gain the latest experience in digital banking services.

The presence of financial technology is still relatively new and relevant literacy studies are still limited because it is necessary to increase literacy and in-depth scientific studies and the best thoughts, inputs and breakthroughs so that the development of digital technology together with existing financial institutions can synergize by collaborating professionally and profitably between the parties involved.

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