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The Impact of Information Technology in Banking System

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Abstract: *The advent of information technology to every aspect of human life and business has been so obvious that it does not need to be accentuated more. Information technology has been of great essence in banking system. This study aims to investigate the effect of information technology in the banking system. The data are obtained both through the customers and the employees. The data were then analyzed using the exact percentage and the 5-point scale to determine the impact of Information technology in the banking system affairs. The findings then proved that Information technology contributes to the banking system in three different ways as follows: IT saves the time of the customers and the employees conspicuously, IT cuts down the expenses and IT facilitates the network transactions.*

Keywords: information technology.

I. INTRODUCTION

Banks are the oldest, biggest and fastest growing financial sector in India. Banks meets the needs of farmers, businessman, entrepreneurs, Government and other segments of the society. Banks provide the contribution to the economic growth of a country by mobilizing the financial resources for productive purposes. Banking is the process or activity used by the banks for providing services to the customers. The banking industry in India has a huge canvas of history. Bank accepts the deposits for the purpose of lending or investment, withdrawal either by cheque, draft or otherwise. Now a day, Banks are using electronic mode for providing better, efficient, frequent, transparent, speedy services to customers. E-Banking or Internet banking is a form of electronic bank that provides financial services for the individual client by the means of internet. E-Banking provides benefits to consumers in terms of ease and cost of transaction through internet, telephone or electronic delivery. With the reforms in 1991, the Indian banking sector has witnessed an unprecedented growth. The major factors contributing to growth are, increase in retail credit demand, proliferation of ATMs and debit cards, decreasing NPAs due to Securitization, improved macroeconomic conditions, diversification, interest rate spreads, and regulatory and policy changes. Certain trends like growing competition, product innovation and branding, focus on strengthening risk management systems, emphasis on technology have emerged in the recent past. The Banking sector has been immensely benefited from the implementation of superior technology during the recent past, almost in every nation in the world. Productivity enhancement, innovative products, speedy transactions and transfer of funds, real time information system and efficient risk management are some of the advantage derived through the technology. India's banking sector has made rapid strides in reforming itself to the new competitive business environment. Technological infrastructure has become an indispensable part of the reforms process in the banking system.

1.1 OBJECTIVES OF THE STUDY

1. To study the recent trends in Indian Banking Industry.
2. To highlight various challenges faced by banks in the changing scenario.
3. To study the opportunities available for Indian Banking Industry.
4. To study the role of Information Technology in Indian Banking Industry.

II. RECENT TRENDS IN BANKING IN INDIA

The Indian banking industry has transformed itself in a big way. The various new trends witnessed by banking sector are as follows:

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Electronic Payment Services: Now-a-days we witness some concepts like 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-cheque, which will eventually replace the conventional paper cheque. India, as harbinger to the introduction of e-cheque, the Negotiable Instruments Act has already been amended to include; Truncated cheque and E-cheque instruments.

Real Time Gross Settlement (RTGS): Real Time Gross Settlement system was introduced in India since March 2004, 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 instantly.

Electronic Funds Transfer (EFT): Electronic Funds Transfer (EFT) is a system whereby anyone who wants to make payment to another person/company etc. can approach his bank and make cash payment or give instructions/authorization to transfer funds directly from his own account to the bank account of the receiver/beneficiary. Complete details such as the receiver's name, bank account number, account type, bank name, city, branch name etc. should be furnished to the bank at the time of requesting for such transfers so that the amount reaches the beneficiaries" account correctly and faster.

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 relatively smaller amount. This facility is meant for companies and government departments to make/receive large volumes of payments.

Automatic Teller Machine (ATM): Automatic Teller Machine is the most popular device in India, which enables the customers to withdraw their money 24 hours a day 7 days a week. It is a device that allows customer who has an ATM card to perform routine banking transactions without interacting with a human teller. In addition to cash withdrawal, ATMs can be used for payment of utility bills, funds transfer between accounts, deposit of cheques and cash into accounts, balance enquiry etc.

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.

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.

Mobile Van Banking: along with technological advancement, a whole bank side can compress right laptop, which can be carried anytime by a method, there by developing a many selections in cellular banking. Many banks also have started mobile/motorbike banking.

Lobby Banking: Reception banking provides the a world-wide-web banking kiosk, cell phone banking, examine drop capability and ATM, all in a tailor created lobby, such as premises. Pretty much, it implies machine, primarily based, staff- much less banking where in every transactions are generally executed simply by self- managed machines.

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. The banks were quickly responded to the changes in the industry; especially the new generation banks. The continuance of the trend has re-defined and re-engineered the banking operations as whole with more customization through leveraging technology. As technology makes banking convenient, customers can access banking services and do banking transactions any time and from any ware. The importance of physical branches is going down.

2.1 Importance

Information Technology (IT) plays a crucial role in the banking sector in India, transforming the way financial services are delivered, improving efficiency, and enhancing customer experience. Here are some key aspects of IT in the banking system in India:

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Core Banking System (CBS):
Banks in India have adopted Core Banking Solutions (CBS), allowing them to offer centralized and integrated banking services across multiple branches. This enables real-time transactions, seamless fund transfers, and centralized customer data management.

Internet Banking and Mobile Banking:
Internet banking and mobile banking services have gained widespread popularity, providing customers with convenient access to their accounts, fund transfers, bill payments, and other banking services. The adoption of mobile apps has further facilitated banking transactions on the go.

ATM Networks:
India has a vast network of Automated Teller Machines (ATMs) that are interconnected, allowing customers to withdraw cash, check account balances, and perform various other transactions 24/7. IT plays a vital role in managing and securing these ATM networks.

Digital Payments and UPI:
The introduction of Unified Payments Interface (UPI) has revolutionized digital payments in India. UPI enables instant fund transfers between banks using mobile devices. Digital wallets, mobile apps, and online payment gateways have also gained prominence, contributing to the growth of a cashless economy.

Security and Fraud Prevention:
With the increase in digital transactions, ensuring the security of customer data and preventing fraud has become a top priority. Banks invest in advanced cybersecurity measures, including encryption, biometrics, and multi-factor authentication, to protect customer information and financial transactions.

Data Analytics and Business Intelligence:
Banks leverage data analytics and business intelligence tools to gain insights into customer behavior, preferences, and trends. This information is used to improve personalized services, develop targeted marketing strategies, and enhance risk management.

2.2 Blockchain and Cryptocurrency
While the use of cryptocurrencies like Bitcoin is not yet main stream in Indian banking, many banks are exploring the potential of block chain technology. Blockchain can improve security, transparency, and efficiency in areas such as cross-border transactions and supply chain finance.

Regulatory Compliance:
IT systems play a crucial role in ensuring compliance with regulatory requirements. Banks in India need to adhere to guidelines set by the Reserve Bank of India (RBI) and other regulatory bodies, and IT systems help in automating and monitoring compliance processes.

Fintech Collaboration:
Banks are increasingly collaborating with fintech companies to innovate and offer new financial products and services. Fintech partnerships can lead to the development of innovative solutions, such as robo-advisors, digital lending platforms, and more.

Cloud Computing:
Some banks in India are adopting cloud computing to enhance scalability, reduce costs, and improve flexibility in their IT infrastructure. However, regulatory considerations and security concerns continue to influence the pace of cloud adoption in the banking sector.

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III. 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 common man. The integration of IT in the banking system in India has led to significant advancements in service delivery, efficiency, and customer satisfaction. Continued technological evolution is expected to shape the future of banking in India, with a focus on digitalization, security, and innovation.

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