



E-BANKING - PERSPECTIVES ON THE INDIAN BANKING INDUSTRY

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Abstract

The economic reforms initiated by the Government of India about two decades ago have changed the landscape of several sectors of the Indian economy. The Indian banking sector is no exception. This sector is going through major changes as a consequence of economic reforms. The role of Management of Technology and Innovation-banking industry is very important as one of the leading and mostly essential service sector. India is the largest economy in the world having more than 120 crore population. Today in India the service sector is contributing half of the Indian GDP and the banking is most popular service sector in India. The significant role of banking industry is essential to speed up the social economic development. Banks play an important role in the economic development of developing countries. Economic development involves investment in various sectors of the economy. It is widely recognized that the increased intensity of competition in the banking sector has had direct implications for financial institutions' approach to customers and how they define their business strategy. Considering that the current economic stance embraces innovation and technology as fundamental elements of strategic management and business and economic development, new approaches to the relationship between technological innovation and financial services are essential in achieving competitive advantage. The paper mainly focus on the Management of Technology and Innovation in the banking sector

Introduction

Few would contest that the current economic crisis triggered intensified worldwide competition in the financial and banking sector. This increased intensity of competition, boosted by the mechanisms of globalization, has had direct implications for the way banks define business strategies and approach their customers to achieve competitive advantage. Banking institutions India are no exception. A bank is a financial institution that provides banking and other financial services to their customers. A bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans. There are also nonbanking institutions that provide certain banking services without meeting the legal definition of a bank. Banks are a subset of the financial services industry. A banking system also referred as a system provided by the bank which offers cash management services for customers, reporting the transactions of their accounts and portfolios, throughout the day. The banking system in India should not only be hassle free but it should be able to meet the new challenges posed by the technology and any other external and internal factors. For the past three decades, India's banking system has several outstanding achievements to its credit. The Banks are the main participants of the financial system in India. The Banking sector offers several facilities and opportunities to their customers. All the banks safeguards the money and valuables and provide loans, credit, and payment services, such as checking accounts, money orders, and cashier's cheques. The banks also offer investment and insurance products. As a variety of models for cooperation and integration among finance industries have emerged, some of the traditional distinctions between banks, insurance companies, and securities firms have diminished. In spite of these changes, banks continue to maintain and perform their primary role—accepting deposits and lending funds from these deposits.

Objectives

The objective of this paper is to explain the changing banking scenario, to analyze the impact of liberalization, privatization & globalization and to Management of Technology and Innovation- banks in changing banking scenario. In addition to this, an attempt is made to understand the significance of banks in India.

Methodology

This paper is the outcome of a secondary data on Indian Banking Sector with special reference to Indian context. To complete this, annual reports, various books, journals and periodicals have been consulted, several reports on this particular area have been considered, and internet searching has also been done.

Technology

There is an imperative need for not mere technology up gradation but also its integration with the general way of functioning of banks to give them an edge in respect of services provided to their constituents, better housekeeping, optimizing the use of funds and building up of MIS for decision making, better management of assets & liabilities and the risk assumed which in turn have a direct impact on the balance sheets of the banks as a whole. Technology has demonstrated potential to change methods of marketing, advertising, designing, pricing and distributing financial products and services and cost savings in the form of an electronic, self-service product delivery channel. These challenges call for a



new, more dynamic, aggressive and challenging work culture to meet the demands of customer relationships, product differentiation, brand values, reputation, corporate governance and regularity prescriptions. Technology holds the key to the future success of Indian Banks

Banking Innovations

Today we have electronic payment system along with currency notes. India’s financial sector is moving towards a scenario, where it can have new instruments along with liquidity and safety.

Important events in the evolution of new age payment systems in India

1. Arrival of card- based payments- debit card, credit card- late 1980’s and early 1990’s.
2. Introduction of Electronic Clearing Service (ECS) in late 1990’s
3. Introduction of Electronic Funds Transfer/ Special EFT (EFT/SEFT) in the early 2000’s
4. Real Time Gross Settlement (RTGS) was introduced in March 2004
5. Plan for implementation of cheque truncation system as a pilot program in New Delhi
6. Enhancing core banking value
7. Revamping the digital agenda
8. Moving from information to insight
9. Dealing with a changing risk regime
10. From cash to electronic modes of payment
11. Grappling with financial inclusion
12. Accelerating innovation

Factors That Facilitates Innovation

S.No	Area	Mean score	Ranking
1	Connectivity	46.8	VI
2	Customer relationship	44.6	VII
3	E-Business	63.9	I
4	Focus on business	59.0	II
5	Global competitiveness	55.7	III
6	Integration of value chain	45.2	V
7	Search for business growth	53.5	IV

Discussion And Concluding Remarks

Factors such as globalization and technological change have led to an increase of competitiveness among companies. This increased competitiveness is more pronounced when it is associated with the concepts of differentiation and competitive advantage. Indeed, companies have suffered from the changes introduced by these factors and, by analogy and/or consequence, the banking sector is no exception

Salient features of Banking on technology: India’s banking industry

1. Internet banking

The shift towards internet banking is fuelled by the changing dynamics in India. By 2020 the average age of India will be 29 years and this young consumer base is internet savvy and wants real time online information. Indian banks therefore need to aspire high and move toward implementing a world class internet banking capability.

2. Customer management

Banks need to clearly articulate and measure the expected benefits from the winning strategies which would be dependent on the value various initiatives provide customers. These include:

- Customer segmentation
- Co-creation
- CRM to customer experience
- Use of alternative channels
- Effective cross and upsell

3. Business intelligence

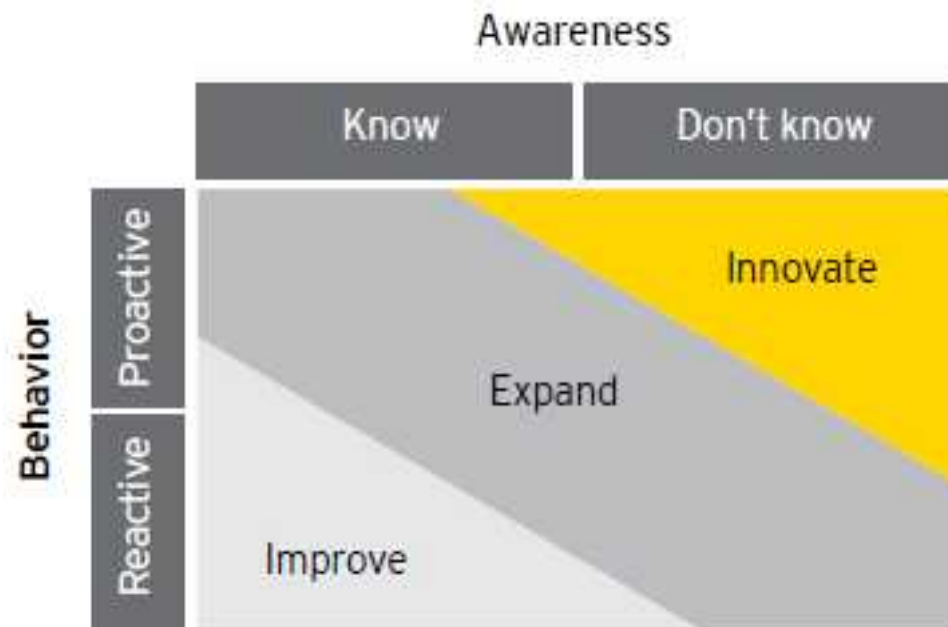
India's banking industry is on the cusp of a major transformation, with new banking licenses expected to bring in more players in an already competitive environment. In such an environment, banks across India are increasingly adopting business intelligence (BI) and analytics to drive their overall profitability. RBI has also encouraged banks to adopt BI to increase transparency and control over the banking business. The Automated Data Flow (ADF) initiative has been a strategic step in this direction, seeking to ensure submission of correct and consistent data from banks' systems to the RBI without any manual intervention.

4. Risk management and information security

The Indian Bank's Association (IBA) survey and EY analysis reveals that Core Banking System (CBS) is widely used across the banks for transaction management. However, its integration with risk management and other enterprise level applications is still at preliminary stages.

Some key risk management methods include:

- Credit systems
- Enterprise Risk Management Systems
- Liquidity risk systems



With the advent of mobile computing, social media, cloud computing and increasing sophistication of hackers it is evident that the risk environment is changing. With more and more cases being registered under the IT Act 2000, banks can no longer ignore privacy of customers.

5. Technology in training and e-learning

The last decade, which marks the era of liberalization and reforms in the country, has been an eventful one for the banking sector, changing the face of the industry in a big way. The increase in investment on training and development by banks in India is caused by a variety of motives, which include — new technology adoption, productivity, responding to skills deficiencies, new hire inculcation, and staff performance management.

6. Mobile banking

Mobile banking continues to be a focus area for all banks in India. Our survey indicates that they are not only looking at this channel as a way to increase their customer engagement in urban areas, but also to reach out to new ones in rural regions, and thereby significantly further their financial inclusion agenda.



Conclusion

The use of technology in the banking industry has changed things a lot, thus creating faster processes, addressing customer problems in a more efficient way etc. India has also complied with all the Core Principles of Effective Banking Supervision of the Basel Committee. The biggest challenge for banking industry is to serve the mass and huge market of India. Companies have become customer centric than product centric. The better we understand our customers, the more successful we will be in meeting their needs. In order to mitigate above mentioned challenges Indian banks must cut their cost of their services. Another aspect to encounter the challenges is product differentiation. Apart from traditional banking services, Indian banks must adopt some product innovation so that they can compete in gamut of competition. Technology up gradation is an inevitable aspect to face challenges.

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