

“A Study on the Technological Innovations in Banking Sector”

Swarun Sebastian

Assistant Professor, Department of Commerce St.Alphonsa College, Mannarkkad, Palakkad India

Abstract

The Banking sector is undergoing tremendous technological changes . In order to meet the changing needs and expectation of customers most of the banks adopt new technological innovations. The main motive behind this is to provide more value to the customers .Today we have number of electronic payment system along with currency notes. In late 1990's, Arrival of card, introduction of Electronic Clearing Service (ECS), introduction of Electronic Funds Transfer, Real Time Gross Settlement (RTGS), introduction of NEFT (National Electronic Funds Transfer), Mobile banking, Online banking are the various innovations in banking. Banks are investing heavily in adoption of these innovations. This paper highlights the benefits of changing banking trends.

KEYWORDS: RTGS, NEFT, Magnetic cards, Offshore banking

INTRODUCTION

The banking system in India is significantly different from other Asian nations because of the country's unique geographic, social, and economic characteristics. Banks plays an important role in the economic development of countries. In normal banking the banks perform agency services, purchase and sales securities, shares, make payments, receive subscription funds and collect utility bills for the government and also for their customers. Hence banks become dominant position in the minds of customers. Now banks serves as agent not only for fund collection but also guide to the customer.

OBJECTIVES OF THE STUDY

To know about latest technological innovations in banking sector and various innovative instruments introduced by banks in recent times.

RESEARCH METHODOLOGY

The research design will be descriptive in nature and the method of data collection is mainly based on secondary data. This is purely a theoretical study.

➤ NEW GENERATION BANKS

Today, banks claim themselves as new generation banks on the basis of certain services they render or the time period they have being formed or bought into existence. But, it should not be done so because, it totally depends on how they function, in terms of implementing strategies, creating and initiating new investment plans managing funds and non-performing assets, looking on to the way how their work force is recruited and

retained by analyzing their true caliber and so on. “New generation banks are not just banks who are involved in the implementing a new strategy for the sake of survival. But, banks who are involved in the process of creating a paradigm shift to overcome the ever-changing market requirements and customer preferences by the way they organize the internal and external activities, and initiatives by considering traditional human values and using modern technology. That may result in creating larger revenues by properly investing and managing the funds to create optimum profit and goodwill for the long run of the business can be considered and proved as sustainable”. Similarly, ages pass on and so does time, thus organizations who are involved in creating change and surviving the change by implementing innovative and effective strategies to serve the future generations to come can be considered so. Thus, In this process the bank that excels with its innovative strategy is to be considered as a new generation bank as the those strategies used to exhibit customer service and welfare is just a marketing strategy which brings in customers but on a long run its only the internal affairs and money management strategy that helps a business retain its position in the market

➤ RECENT INNOVATIONS IN BANKING SECTORS

Developments in the field of information technology strongly support the growth and inclusiveness of the banking sector by facilitating inclusive economic growth. IT improves the front end operations with back end operations and helps in bringing down the transaction costs for the customers. Proper usage of Information Technologies and Modern Amenities such as:

1. ATM, Mobile Banking – SMS, Telephone Banking
2. On-line Banking, Internet, Email, Data net, RBI Net, Nic net, I-Net, Etc...
3. Home Banking, Electronic Payment, Cash Dispensers
4. Real-time gross settlement systems (RTGS)
5. National Electronic Fund Transfer (NEFT)
6. Electronic Clearing System (ECS), Electronic Fund Transfer Systems(EFT)
7. Pin Number based Transaction for:
 - a. Magnetic Cards – Smart Cards, Credit Cards & Debit Cards.
 - b. Teller Machines at the Bank Counters, Etc...
8. Offshore Banking / Overseas Banking Services

➤ ATM

- Automated teller machine (ATM) is a computerized telecommunications device that provides a financial institution's customers a secure method of performing financial transactions in a public space without a human clerk or bank teller. ATM is a step in improvement in customer service. ATM facility is available to the

customer 24 hours a day. The Banker issued ATM card to their customer. This is a plastic card, which bears the customer's name. This card is magnetically coded and can be read by this machine.

- Each cardholder is provided with a secret personal identification number (PIN). When the customer wants to use the card, he has to insert his plastic card in the slot of the machine. After the card is recognized by the machine, the customer enters his personal identification number. After establishing the authentication of the customers, the ATM follows the customer to enter the amount to be withdrawn by him. After processing that transaction and finding sufficient balances in his account, the output slot of ATM give the required cash to him. When the transaction is completed, the ATM ejects the customer's card.

➤ INTERNET

- Internet is a fast developing net and is of utmost important for public sector undertaking, Education Institutions, Research Organization etc. Internet is a networking of computers. The data can be sent and received in any part of the world. In no time, internet facility can do many a job for us. It includes the following:
 - This network can be work as electronic mailing system.
 - We can have access to the distant database which may be a newspaper of foreign country.
 - On internet one can exchange letters, figures/diagrams and music recording.
 - Customers can exchange their ideas through Internet and can make contact with anyone who is a linked with internet. Now a days we can't imagine the banking transaction without internet facility.

➤ SWIFT

SWIFT, as a co-operative society was formed in May 1973 with 239 participating banks from 15 countries with its headquarters at Brussels. It started functioning in May 1977. RBI and 27 other public sector banks as well as 8 foreign banks in India have obtained the membership of the SWIFT. SWIFT provides have rapid, secure, reliable and cost effective mode of transmitting the financial messages worldwide. At present more than 3000 banks are the members of the network. To cater to the growth in messages, SWIFT was upgrade in the 80s and this version is called SWIFT-II. Banks in India are hooked to SWIFT-II system. SWIFT is a method of the sophisticated message transmission of international repute. This is highly cost effective, reliable and safe means of fund transfer. This network also facilitate transfer of message relating to fixed deposits, interest payment, Debit- credit statements, foreign exchange etc. This service is available throughout the year, 24 hours a day. This system ensure against any loss of mutilation against transmission. SWIFT is very beneficial in effective customer service. SWIFT has extended its range to users like brokers, trust and other agents.

➤ Electronic Clearing Service

In 1994, RBI appointed a committee to review the mechanization in the banks and also to review the electronic clearing service. The committee recommended in its report that electronic clearing service-credit clearing facility should be made available to all corporate bodies/Government institutions for making repetitive low value payment like dividend, interest, refund, salary, pension or commission, it was also recommended by the committee Electronic Clearing Service-Debit clearing may be introduced for pre-authorized debits for payments of utility bills, insurance premium and Installments to leasing and financing companies. RBI has been necessary step to introduce these schemes, initially in Chennai, Mumbai, Calcutta and New Delhi.

➤ Bank net

Bank net is a first national level network in India, which was commissioned in February 1991. It is communication network established by RBI on the basis of recommendation of the committee appointed by it under the chairmanship of the executive director T.N.A. Lyre. Bank net has two phases: Bank net-I and Bank net- II.

➤ RTGS

Real Time Gross Settlement system(RTGS), 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.

➤ ONLINE BANKING

Online banking, also known as internet banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website. To access a financial institution's online banking facility, a customer with internet access would need to register with the institution for the service, and set up a password and other credentials for customer verification. The credentials for online banking is normally not the same as for telephone or mobile banking. Financial institutions now routinely allocate customers numbers, whether or not customers have indicated an intention to access their online banking facility. Customer numbers are normally not the same as account numbers, because a number of customer accounts can be linked to the one customer number. Technically, the customer number can be linked to any account with the financial institution that the customer controls, though the financial institution may limit the range of accounts that may be accessed to, say, cheque, savings, loan, credit card and similar accounts. The customer visits the financial institution's secure website, and enters the online banking facility using the customer number and credentials previously set up. The types of financial transactions which a customer may transact through online banking

are determined by the financial institution, but usually includes obtaining account balances, a list of the recent transactions, electronic bill payments and funds transfers between a customer's or another's accounts.

➤ MOBILE BANKING

Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct financial transactions remotely using a mobile device such as a mobile phone or tablet. It uses software, usually called an app, provided by the financial institution for the purpose. Mobile banking is usually available on a 24-hour basis. Some financial institutions have restrictions on which accounts may be accessed through mobile banking, as well as a limit on the amount that can be transacted. Transactions through mobile banking may include obtaining account balances and lists of latest transactions, electronic bill payments, and funds transfers between a customer's or another's accounts. Some apps also enable copies of statements to be downloaded and sometimes printed at the customer's premises; and some banks charge a fee for mailing hardcopies of bank statements.

➤ Chip Card

The customer of the bank is provided with a special type of credit card which bears customer's name, code etc. The credit amount of the customer account is written on the card with magnetic methods. The computer can read these magnetic spots. When the customer uses this card, the credit amount written on the card starts decreasing. After use of number of times, at one stage, the balance becomes nil on the card. At that juncture, the card is of no use. The customer has to deposit cash in his account for re-use of the card. Again the credit amount is written on the card by magnetic means.

➤ Voice Mail

Talking of answering systems, there are several banks mainly foreign banks now offering very advanced touch tone telephone answering service which route the customer call directly to the department concerned and allow the customer to leave a message for the concerned desk or department, if the person is not available

➤ Kiosks

KIOSK banking is an important concept and basically developed for rural areas of country where less number of banks are and people can't reach to the bank to use their services. A retailer can open a no-frills bank account for a customer by recording fingerprint details and taking a photograph of the customer. The details along with other documents are forwarded to the affiliated bank branch to carry out the know-your-customer process. Once the account is up, a customer can withdraw, deposit or remit a maximum of Rs 10,000 per day through the internet-enabled kiosk branch Information Kiosks can now also provide services such as standing order maintenance, providing loan quotes, passbook printing, document scanning and statement printing.

FINDINGS/PROBLEMS OF TECHNOLOGICAL INNOVATIONS

- Higher bank charges as banks will be trying to recoup the cost of investment in new technologies.
- Lack of human contact and personal touch
- Some technological innovations are complex to operate for an ordinary illiterate customer.
- Increase in robberies and fraud cases using advanced technologies.
- Lack of enough skilled staff.
- Reduced employment due to automation.

SUGGESTIONS

- Engage in customer education on the use of new advanced technological innovations.
- Carry out compatibility tests before introducing new advances in technology to assess acceptance by customers.
- Improve on the security systems for improved safety in the use of new technologies.
- Develop technologies that are simple to operate for an ordinary customers.

CONCLUSION

In the days to come, banks are expected to play a very useful role in the economic development and the emerging market will provide business opportunities to harness. As banking in India will become more and more knowledge supported, capital will emerge as the finest assets of the banking system. Ultimately banking is people and not just figures. To conclude it all, the banking sector in India is progressing with the increased growth in customer base, due to the newly improved and innovative facilities offered by banks. The economic growth of the country is an indicator for the growth of the banking sector. The Indian economy is projected to grow at a rate of 5-6 percent the country's banking industry is expected to reflect this growth. Although this article gives a view on what new age banking and its trends what their customers expect the banks of tomorrow to look like and what they should focus on, the right choice for adoption may vary from bank to bank.

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