

A Study on technology driven Innovative practices by Indian banking sector for future sustainability and enhanced customer service

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Abstract

Banks are one of the important professional institutions that interact with the masses and hold a unique & intermediary position in the economy. It influences the economic development of the country both in terms of Quality and Quantity. As in today's era needs and perception of customers are changing and other challenges too, the old way of doing banking is no more successful. India's banking system has seen some major financial innovations in the past decades which lead to tremendous improvements in banking services and operations such as ATM banking, NEFT, RTGS, IMPS, Online and Mobile banking. There is a further lot more scope to go forward. This objective of the paper is to find out the benefits and challenges of technology driven banking trends. Secondary data from various sources is used a research methodology. The necessitate of this millennium is to devise such a system that encourages the efficiency of investment, focus on future sustainability and can provide better customer service which leads towards satisfaction. The paper concludes by focusing on the current challenges, opportunities and future trends and scope of Innovative practices by Indian banking sector.

Keywords: Customer satisfaction, Innovation, Banking, CRM

Introduction

Banks plays an important role in the economic development of developing countries. Economic development involves investment in various sectors of the economy. The banks collect savings for investment in various projects. In normal banking the banks perform agency services for their customers and helps economic development of the country. The purchase and sales securities, shares, make payments, receive subscription funds and collect utility bills for the Government department. Therefore banks save time and energy of busy peoples. Bank arranges foreign exchange for the business transactions with other countries. Banking sector are not simply collecting funds but also serve as a guide to the customer about the investment of their money. Current banking sector has come up with a lot of initiatives that oriented to

providing a better customer services with the help of new technologies. Banking sector mirrors the larger economy its linkages to all sectors make it proxy for what is happening in the economy as a whole. Indian banking sector today has the same sense of excitement and opportunity that is evidence in the Indian Economy. The going developments in the global markets offer so many opportunities to the banking sector. In the competitive banking word improvement day by day in customer services is the most useful tool for their better growth. Bank offers so many changes to access their banking and other services which are technology based.

Banking Innovation through IT

Indian banking industry, today is in the midst of an IT revolution. A combination of regulatory and competitive reasons has led to increasing importance of total banking automation in the Indian Banking Industry. The bank which used the right technology to supply timely information will see productivity increase and thereby gain a competitive edge. To compete in an economy which is opening up, it is imperative for the Indian Banks to observe the latest technology and modify it to suit their environment. Information technology offers a chance for banks to build new systems that address a wide range of customer needs including many that may not be imaginable today.

Literature Review

Dannenber and Kellner (1998), in their study, overviewed the opportunities for effective utilization of the Internet with regard to the banking industry. The authors evaluated that appropriate application of today's cutting edge technology could ensure the success of banks in the competitive market.

Talwar (1999) examined the IT Revolution in banking sector which had not only provided improved service to the customer, but also reduced the operational cost. The author brought out that computerization of banks, introduction of Real Time Gross Settlement System, setting up of Inffinet, Electronic Payment Products (such as Electronic Clearing Service) had ensured better resource management, systematic efficiency and substantially reduced inter-branch reconciliation entries. However fear of hacking, tampering of data, secrecy maintenance were certain issues which pose threats on usage of electronic banking

Kamesam (2001) studied the changes that took place in the Indian banking industry which emphasized on technological advancements and profitability in banks. Technology has helped in centralized data storage with decentralized processing which has helped in reduction of costs and NPAs.

Durkin and Howcroft (2003) evaluated that the banker-customer relationship was improved through mobile, phone and internet banking. The authors found that new technology has made the banks very competitive and profitable and internet has played a key role in it. Perception of bankers and customers regarding the use of internet was examined. They pointed out that as consumer usage of remote bank delivery channels increases, relationship management will become more important. Further, the combination of traditional and new delivery channels, if followed, can help to improve their productivity and profitability.

Suresh (2008) highlighted that recently developed e-banking technology had created unpredicted opportunities for the banks to organize their financial products, profits, service delivery and marketing

Objective of the study

1. To explore the technology driven Innovative practices taken by the Indian banking industry for future sustainability and enhanced customer service.
2. To find out the current challenges, opportunities and future trends of technology driven Innovative practices.

Research Methodology

The source of the information in this research study is the secondary data in order to accomplish the above objectives. All the available Journals, literature Reviews, reports and data, Articles, papers, magazines, websites which provided necessary information have gone through and used.

Need for the study

The pace of development for the Indian banking industry has been tremendous over the past decade and the future growth of India's banking sector will remain high. India's financial services sector will enjoy generally strong growth during coming years, driven by rising personal incomes, corporate restructuring, financial sector liberalization and the growth of a more consumer-oriented, credit-oriented culture. The banks were finding it difficult to compete with the international banks in terms of the customer service without the use of the information technology and computers. The use of the modern innovation and computerization of the banking sector of India has increased many folds after the economic liberalization of 1991 as the country's banking sector has been exposed to the world's market.

Technology driven various Innovative practice in different areas of Banking Sector

Banks today, including the PSU banks, are aggressively adopting the latest technology in order to improve product offerings, customer service, operational efficiency and risk management systems. This is not only a source of competitive advantage but is increasingly become a necessity for the banks.

Electronic Payment Services – E Cheques: Now-a-days we are hearing about 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, 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.

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 (savings or current account), 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. RBI is the service provider of EFT.

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 rather than for funds transfers by individuals.

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.

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.

Financial inclusion: The spread of digital connectivity and mobile phones have created attractive opportunities in the Indian financial inclusion landscape. In particular, technology promises to enable hundreds of millions of people to access financial services for the first time due to its wide reach, convenience and low cost of delivery.

India is experimenting with several new ideas in financial inclusion in almost all areas requiring immediate focus — banking and payment channels, technology platforms, regulatory. Significant progress is required in financial inclusion, as indicated clearly by the World Bank Findex Survey 2012.

The six cornerstones pillars of financial inclusion

The ability of technology to bring services to people wherever they are and whenever they need them is the biggest driver of achieving comprehensive financial inclusion.	Electronic payments are accelerating this drive, and new developments, including Big Data, ubiquitous internet access and cloud computing, are expected to have enormous impact.	Regulators should consider relaxing restrictions in areas that disproportionately affect unbanked customers, e.g., through KYC, agent banking and mobile banking.	Interoperability can create value for customers to attract large volumes.	Keeping pace with technology changes in the financial inclusion space will require significant investments in the regulatory capacity and changes made in regulatory processes.	Government can incentivize service providers to introduce technology-enhanced business models that improve last mile delivery by deploying their own resources, e.g., DBT payments and universal service funds.
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Emphasis on Customer Relationship Management (CRM):

Customer relationship Management is the most important factor in the retention of the customers when each and every bank is providing the same services. The banks are spending more on the customer delight and up gradation of the services. When all the banks are providing almost the same products and services, CRM is very much required in the sector.

Mergers, Acquisitions and Takeovers:

Merger, acquisitions and takeover are the trends in the banking industry now a day across the globe as the competition have opened up in the industry. The banks are increasing their size with the organised and unorganised growth by adding up new customers through new products and schemes as well as acquiring smaller banks in the fray.

Demat account: If you are a share holder or interested in share market or think about purchasing or selling the shares. Banks helps you for all these works. Now banks purchased or sale your share as your order or request. You can only inform about your decisions. Now you can avoid multiplications, duplications and pilferage of share certificates. By opening a demat account, you can protect your securities from damage, loss and theft. Demat account stands from dematerialization of accounts.

Global card: This is the latest in the market, which enables the card holders to use the card in any country including the country where the card has been issued. One can spend in any foreign currency and settle the due in medium of local currency. The credit limit is based on the BTQ (basic travel quota).

Challenges

The major challenges faced by banks today are as to how to cope with competitive forces and strengthen their balance sheet. Today, banks are groaning with burden of NPA’s. The new international capital norms require a high level of

sophistication in risk management, information systems, and technology which would pose a challenge for many participants in the Indian banking sector. The deep and often painful process of restructuring in the Indian economy and Indian industry has resulted in asset quality issues for the banking sector; while significant progress is being made in this area, a great deal of work towards resolution of these legacy issues still needs to be done. The Indian banking sector is thus at an exciting point in its evolution.

Opportunities:

The opportunities are immense – to enter new businesses and new markets, to develop new ways of working, to improve efficiency, and to deliver higher levels of customer service. The process of change and restructuring that must be undergone to capitalize on these opportunities poses a challenge for many banks.

Banking industry's opportunities includes

- A growing economy
- Banking deregulation
- Increased client borrowing
- An increase in the number of banks
- An increase in the money supply
- Low government-set credit rates and

Recommendations:

Everyone today is convinced that the technology is going to hold the key to future of banking. The achievements in the banking today would not have made possible without IT revolution. Therefore, the key point is while changing to the current environment the banks has to understand properly the trigger for change and accordingly find out the suitable departure point for the change. Although, the adoption of technology in banks continues at a rapid pace, the concentration is perceptibly more in the metros and urban areas.

The benefit of Information Technology is yet to percolate sufficiently to the common man living in his rural hamlet. More and more programs and software in regional languages could be introduced to attract more and more people from the rural segments also.

As an extreme case of e-banking World Wide Banking (WWB) on the pattern of World Wide Web (WWW) can be visualized. That means all banks would be interlinked and individual bank identity. Creation of customer awareness and education for technology adoption are imperative. E-security to be tackled efficiently so as to mitigate all the attendant risks.

Conclusion

Financial innovation is the need of the hour, and India is gaining its credibility and global presence with the help of IT. Technology is going to make a big difference in the future in the banking sector. It will bring in efficiency; improve the MIS and help to make decisions based on analytics. It would be imperative to deploy the right type of technology and

appoint the right type of people for the same. 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.

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