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An analytical study on the effect of technology on the banking sector in India

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Abstract

Banks had to adapt to new ways of doing business in the 90s due to technological developments. The banking sector is seeing a substantial improvement in service quality because of the new paradigms in business brought about by IT. Nothing ever stays still in the banking and financial industry. The breadth of banking's operations is the most significant shift. Traditional banking focuses on three main activities: receiving deposits from consumers, lending out excess deposits to eligible borrowers, and transferring cash. Modern banks go above and beyond the call of duty to meet the non-financial and financial requirements of their diverse clientele, which includes everyone from individual savers to multinational conglomerates—and even those who aren't clients at all. Depending on the bank's size and kind, the variety of services supplied might vary greatly.

One of the most crucial components in human progress has been technological advancement. The most recent development in the realm of technology that facilitates electronic access, processing, storage, and distribution is information and communication technology.

Plastic cards, one kind of banking product that serves the demands of the retail sector, have seen a geometric evolution in their number in recent years, contributing to the industry's rapid expansion in response to technological developments such as automated teller machines (ATMs), online banking, telephone banking, mobile banking, etc.

Technological advancements have been crucial to this expansion; without them, it would not have been conceivable, and it will undoubtedly alter the way we live in the years to come. The purpose of this article is to examine the advantages and current problems of certain prominent IT-enabled services provided by financial institutions.

Keywords: Mobile banking, service quality, banking's operations, technological developments

Introduction

There has been persistent effort in recent years by the Indian banking sector to increase the efficiency of banking operations via the development and implementation of technology advancements. Indian financial institutions are continually pushing for more investment in information technology (IT), such as automated teller machines (ATMs), online banking (e-banking), mobile banking (Telebanking), customer relationship management (CRM), computerization inside the banks, increased usage of plastic money, contact center infrastructure, etc., so they may reap the advantages of improved technologies. A number of IT-based initiatives have been developed and implemented by RBI to support the functionality and modernization of the payment system. These include the following: Electronic Clearing Services (ECS), Electronic Funds Transfer (EFT), INFINET, a Real-Time Gross Settlement (RTGS) System, CFMS, NDS, EPS with the 'Vision Document,' SFMS, and India Card, a domestic card initiative, which was recently launched (2011).

The result of all these efforts is that the Indian banking environment is now more compliant with the requirements of the international financial system. Scheduled commercial banks in India, comprising public, private, and foreign sector banks, are the focus of this research, which aims to provide a picture of the effects of information technology on the banking industry. The findings indicate that all SCBs have shown a notable and upward trend in performance as a consequence of using IT. The nation cannot enter the 21st century without this adoption.

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2. Review of Literature

A prudent use of computers for some banking services was suggested by the Committee on Public Sector Banks (1978) as a means to enhance operational efficiency, customer service quality, and speed. In addition to boosting productivity, this will lessen the amount of mundane, repetitive tasks, freeing up employees to focus on providing superior customer care.

Financial institutions, according to research by Dr. Chidambaram and Ms. K. Alameleu (1996) in "Services Marketing—Challenges and Strategies," should make more investments in technology so that they may differentiate themselves in the market. If you want your staff and clients to be happy, you need to decorate your premises well. Professionalized. A bank's marketability will increase with motivated and well-trained staff.

Financial institution consumers' reasons for using or not using an Automated Teller Machine (ATM) were investigated by Gaston Leblanc (1990) ^[10]. The only demographic characteristic that showed a significant difference between users and nonusers in an examination of findings was education level. Furthermore, the results demonstrate that the main motivations for using the automated teller system are the ease of access and the desire to avoid waiting in line.

Janki (2009) ^[4] looked at the ways in which technology is impacting the efficiency of the staff. Technology has undeniably altered operational efficiency and customer service. New goods, better risk management, etc., will result from a concentration on technology. Research found that tech to accomplish their objectives, technology is vital.

Rao (2010) ^[6] examined the effects of technological advancements on the banking industry. As a result of technological advancements, traditional business practices are giving way to new, more efficient ways of doing things. The rise of telebanking and online banking has the potential to displace traditional branch banking.

Bhasin (2015) ^[5] studied how the banking and finance industries were affected by IT. It has simplified complex processes and procedures into easy-to-use technology that only requires the pressing of a single key, greatly improving the speed, precision, and efficiency of commercial operations and opening up new avenues of endeavor.

The significance of "Universal Banking" in India was examined by Sabnani. Thanks to advancements in telecoms and information technology, investors may now pool their funds across borders, reducing their exposure to any one market. According to him, the Universal Banking System is going to grow in India.

Vageesh (2020) ^[11] gave new private sector banks a lot of praise for using IT. The brand-new private sector banks, armed with cutting-edge innovation and lofty e-banking ambitions. There are two sides to the coin: on the one hand, clients benefit greatly from banks' forays into online banking, and on the other, banks enjoy decreased transaction costs.

3. Objectives of the study

The objectives of the study are mentioned below: -

- To study the evolution of Indian Banking services
- To study the benefits of IT from the consumer perspective
- To study the impact of IT on Indian Banking services

4. Bank transformation and information technology

The term transformation in Indian Banking Industry related to intermediately stage when the industry is passing from the earlier social banking era to the newly conceived technology-based customer-centric and competitive banking. The activities of banks have grown in multi-directional as well as in multi-dimensional manners. During transformation, all known parameters of the earlier regime continuously change.

The virtual financial services can be largely categorized as follows:-

- a. Automated Teller Machines
- b. Remote Banking Services
- c. Smart Cards
- d. Internet Banking
- e. Interbank Mobile Payment Service

5. Benefits of it in banking services

The following are the benefits extended to the various parties with the use of IT:

a. To the Individuals

- Anytime banking-e-banking providers 24 hours, all days service to the customers for cash withdrawal from any branch.
- Anywhere banking – no matter wherever the customer is in this world, on line banking is used to get the services.
- Online purchase of goods and services and payment can be arranged for various purposes through cards.
- Customer can also make some permitted transactions from his office or house or while travelling via mobile phone.
- Customers can receive relevant and detailed information in seconds, rather than days or weeks.

b. To the Merchants, Traders etc.

- Assured immediate settlement and payment to the various transactions made by the traders.
- Providing various services to the businessmen at par with the international standards with low transaction cost.
- Avoid all the cost and risk problems involved in handling cash, which are very high in business transactions.
- Development of global and local clients' base can be possible with the development of the IT in Banking.
- Other benefits include improved image, improved customer service, eliminating paper, reduced waiting costs and increased flexibility.

c. To the Banks

- E-banking provides competitive advantage with unlimited network to the banks.
- Online banking-an effectiveness medium of promotion of various schemes of the bank, and indeed acts as a marketing tool.
- By connecting ATM and PO terminals, risk of overdrawl of cash can be eliminated in case of ATM credit and debit cards.
- E-Banking site can act as a revenue earner through promotional activity by the consumer corporate.
- Help in establishing better customer relationships, attracting and retaining the customers.

d. To the Nation

- Globalization of trade can be achieved effectively through e-banking.
- Provision of global market to the domestic products and services is easy with the development of e-banking.
- E-banking promotes more exports so that the flow of foreign exchange increases.
- E-banking provides more transparency in business transactions and creates good business relations among nations.
- E-banking enabled more individuals to work from home and to do less traveling for banking, resulting in less traffic on the roads and lower air pollutions.

6. Impact of technology on banking

Technology has influenced all aspects of banking activities including storage, processing, and collection of information. There are a few areas in banking that has been seriously influenced or impacted which includes.

a. Tracking lending worthiness

Technology has created or led to the creation of the credit bureau. The system mathematically tracks customer's payment records to provide data which help banks make decisions on the amount and who they should borrow money to. The advance technology available has developed a scalable and resilient credit bureau platform that enables banks to track customer's necessary information. Technology has enable software programs which has provided banks with input file preparation tools, validation tools and data entry tools. Collecting data allows banks to deliver credit reporting solutions in the form of credit reposts, customer credit activity monitoring, fraud prevention systems and debtor tracking services.

b. The Economy and Economy of Scale

Competition has forced banks to lower the cost or interest rates. Bank mortgages have recently Banks try to achieve economy of scale in banking procession instead of trying to be bigger banks (acquiring more assets, taking more risk etc). The current state of the economy has also lead banks to tighten their lending and restrict their lending guidelines. Banks seek to secure the best and most technologically advanced business structure and secure competitiveness of economy of scales.

c. Banks Contestability

Technology is affecting the degree of contestability in banks. Due to the advancement of technology, banks superiority in information is deteriorated. New competitors have emerged and the many barriers provided by banks have been declining and security breach is more imminent today. Some financial products, services and commodities are becoming more transparent. Due to the lowered entry and deconstruction of some banks, contestability in banking is rising.

d. Technology Influence the Economics of delivery

The advancement of technology has influenced the methods banks use to deliver financial products to its customers. Technology has created alternative delivery mechanisms such as the internet, electronic transferred, ATMs, and many others which all reduce the dependence on the network as a core delivery mechanism. Now, financial systems are

substantially over-supplied with delivery systems through a duplication of networks which allows or encourages the banks to change their delivery strategy, rationalize their branch network strategy and provide or develop a wide Varsity of delivery options.

7. Conclusion

Banks are basically surviving or in existence today due to technology. Technology has created better tools for evaluation credit worthy customers (Credit check and credit bureau), storing customers information and secure all the valuable information which if placed in the wrong hands can cost us millions of dollars. This can also have a negative impact on the economy as banks would tighten their lending requirements and charge higher interest rates to make up for the lost which would create due to lack of security, storage and other technological advancement. Thanks to technology, our information is safe, protected and we can feel confident that the money we put in the bank will be their where we want.

Technology had changed the way people obtain financial services. It has also save time and money allowing people to conduct banking efficiently. Technology has helped banking transform from bulk paper and waste to paperless communication and means of transferring funds.

Bank security or compliance officers use computers and technology to help ensure that banks understand, follows guidelines and control the risk of the complex and new world of financial services. Security has changes over many years through the advancement of technology, evolving from manual examining fraudulent activities to using advance computers and program that can identify fraudulent activities, checks, and even viruses (New age threat to banking). Technology advancement in banks has led to convenience, speed, time saving and cheaper methods of conducting banking. Today, many people are slowly deleting traditional methods of utilizing financial services or money such as the change from checks to debit/credit cards and automatic payment.

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