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A STUDY OF TECHNOLOGY BASED SERVICES IN BANKING SECTOR

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ABSTRACT:

The banking industry in India has a huge canvas of history, which covers the traditional banking, practices from the time of Britishers to the reforms period. Therefore, banking in India has been through a long journey. Today banking is known as innovative banking. The use of technology has brought a revolution in the working style of the banks. Information Technology has had a positive impact on substitutes for traditional funds movement services. With networking and interconnection has led to offering of services such as UPI Based payments, CIBIL Scores, USSD transactions and it has also presented new challenges related to security privacy and confidentiality to transactions. In this paper, an attempt is made to explain the changing banking scenario. The study also identifies the challenges and opportunities for the Indian banking sector in changing banking scenario.

KEY WORDS: *banking industry , Information Technology , banking scenario.*

INTRODUCTION

The traditional functions of banking are limited to accepting deposit and giving loans and advances. Today banking is known as innovative banking. Current banking sector has come up with a lot of initiatives that are oriented to provide a better customer services with the help of new technologies. Indian banking sector today has the same sense of excitement and opportunity that is evident in Indian economy. In the competitive banking world improving day by day in customer services is the most useful tool for their better growth. In India banks are playing a crucial role in socio-economic progress of the country after independence.

OBJECTIVES OF THE STUDY:

1. The main objective of the study is to understand Banking Sector.
2. To explain the changing banking scenario
3. To trace the utility of technology in Banking with special reference to India.

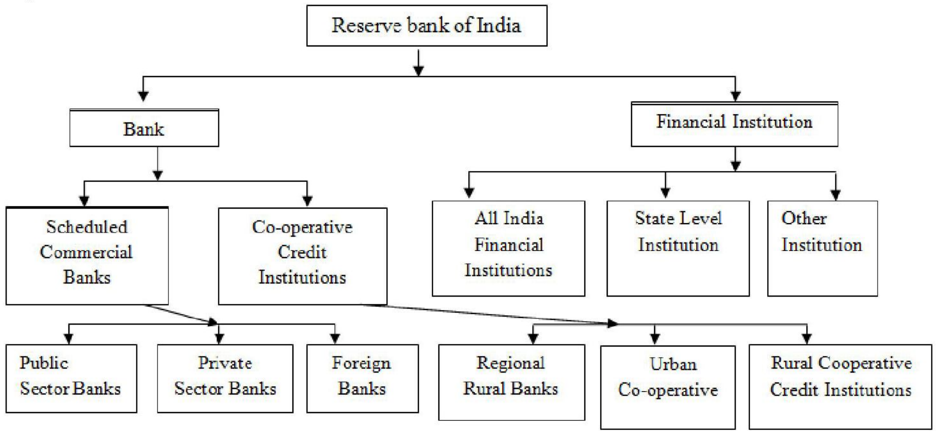
RESEARCH METHODOLOGY:

The study is based on secondary data. The sources of secondary data include banking books, annual reports of RBI, Internet (websites) and research papers etc.

STRUCTURE OF INDIAN BANKING SECTOR:

Today, role of banking industry is very important as one of the leading and mostly essential service sector. Banking Industry in India functions under the sunshade of Reserve Bank of India the regulatory central bank. Banking industry mainly consists of Commercial banks Co-operative banks. The commercial banking structure in India consists of Scheduled commercial banks & unscheduled bank. Scheduled commercial banks constitute those banks which have been included in the second schedule of Reserve Bank of India (RBI) Act, 1934. For the purpose of assessment of performance of banks, the RBI categories them as public sector banks, old private sector banks, new private sector banks and foreign banks.

The Commercial banking structure in India



RECENT TRENDS IN BANKING:

The Indian banking industry is not lagging behind, it has started providing services electronically over the internet. These services rendered over electronic media include:

1 Automatic Teller Machine (ATM)
2 Credit Cards
3 Telephone Banking
4 Phone Banking
5 Real Time Gross Settlement (RTGS)
6 Electronic Funds Transfer (EFT
7 Electronic Payment Services –E Cheques
8 Electronic Clearing Service (ECS)
9 Electronic Data Interchange (EDI)
10 Shared Payment Network System(SPNS)
11 Point of sale [POS] terminal
12 D-Mat Accounts
13 CIBIL

1.Automatic Teller Machine (ATM):

Automatic Teller Machine (**ATM**) is an electronic telecommunications device that enables customers of financial institutions to perform financial transactions, such as cash withdrawals, balance enquiry, deposits, funds transfer between accounts, or obtaining account information, at any time and without the need for direct interaction with bank staff. According to the ATM Industry Association (ATMIA), there are now close to 3.5 million ATMs installed worldwide. However, the use of ATMs is gradually declining – most notably in retail precincts.

2. Credit Cards:

A credit card is a payment card issued to users to enable the cardholder to pay a merchant for goods and services based on the cardholder's promise to the card issuer to pay them for the amounts so paid plus the other agreed charges. The card issuer (usually a bank) creates a revolving and grants a line of credit to the cardholder, from which the cardholder can borrow, money for payment to a merchant or as a cash advance These plastic cards enable customers to spend whenever he/she wants within the prescribed limits and pay later. Debit card is a prepaid card with stored value, whereas credit card is postpaid with fixed limits. It is seen that spending is higher through debit cards than with credit cards currently CITY Bank and time bank have started with Debit cards and now other banks are also following these to launch their own cards.

3. Telephone Banking:

Telephone banking became available in the 1980s, first introduced by Girobank in the United Kingdom, which establishing a dedicated telephone banking service in 1984. Telephone banking is a service provided by a banker other financial institution, that enables customers to perform over the telephone a range of financial transactions which do not involve for cash or documents (such as cheques), without the need to visit a bank branch or automated teller machine.

4. Phone Banking:

Bank on phone, provides easy access for customers to have large businesses through telephones. Data are exchanged over the phone regarding any queries, to issue instructions on balance transfer, statement of account, cheque- book, stop payments, new schemes, interest rates etc. at any convenient time and place. Tele banking has gone a long way in providing maximum customer satisfaction within the limited infrastructure

5.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. This systems are typically used for high-value transactions that require and receive immediate clearing. In some countries the RTGS systems may be the only way to get same day cleared funds and so may be used when payments need to be settled urgently. However, most regular payments would not use a RTGS system, but instead would use a national payment system or network that allows participants to batch and net payments. RTGS payments typically incur higher transaction costs and usually operated by a country's central bank.

6.Electronic Funds Transfer (EFT):

Electronic Funds Transfer (EFT) is the electronic transfer of money from one bank account to another, either within a single financial institution or across multiple institutions, via computer-based systems, without the direct intervention of bank staff. 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.

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7.Electronic Payment Services –E Cheques:

Now-a-days we are hearing about e-governance, email, 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 An electronic check is part of the larger electronic banking field and part of a subset of transactions referred to as electronic fund transfers (EFTs), which includes not only electronic checks but other computerized banking functions such as ATM withdrawals and deposits, debit card transactions and remote check depositing features. The transactions require the use of various computer and networking technologies to gain access to the relevant account data to perform the requested actions.

8. Electronic Clearing Service (ECS):

Electronic Clearing Service (ECS) is an electronic mode of funds transfer from one bank account to another. It can be used by institutions for making payments such as distribution of dividend interest, salary, pension, telephone, electricity, water or for making equated monthly installments payments on loans as well as SIP investments. ECS can be used for both credit and debit purposes.

9. 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.

10. Shared Payment Network System(SPNS):

A payment system is any system used to settle financial transactions through the transfer of monetary value, and includes the institutions, instruments, people, rules, procedures, standards, and technologies that make such an exchange possible. A common type of payment system is the operational network that links bank accounts and provides for monetary exchange using bank deposits.

11. Point of sale [POS] terminal:

A point of sale terminal (POS terminal) is an electronic device used to process card payments at retail locations. 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.

12. D-Mat Accounts:

A Demat Account is an account that allows investors to hold their shares in an electronic form. Investor opens an account called Demat Accounts with DPS. They get shares in electronic form. Then they send the actual shares to the investor. Investor pays for the opening, maintenance and collection of shares. This has reduced the paper work, bad deliveries; loss of shares and less transaction cost. However delays in demating, higher cost charged by the investors has not given a good start for the growth and scope of Demat in India.

13.CIBIL:

A credit score is generated by credit bureaus and is a three-digit numeric representation of an individual’s creditworthiness, which is the likelihood of a person defaulting on a loan repayment or credit card dues. Typically ranging between 300 and 900, a high credit score indicates that a person is more likely to use credit responsibly and therefore lenders tend to look more favorably at applications for loans or credit cards made by such people. A CIBIL score is nothing but a credit score generated by CIBIL, which is India’s oldest bureau. In addition, Equifax, Experian and CRIF High Mark are other players. When you consider a CIBIL score, a score of 750 and above is considered to be good. As per data published by CIBIL, over 79 percent of approved loans are for those individuals with a score of 700 and above. A credit score is important in the loan approval process because it is the first piece of information that a lender refers to, when evaluating an application. Using this filter, it is typically believed that a higher score increases the chances of loan approval, other factors being in place. However, the decision of whether to lend or decline an application rests solely with the concerned lender, and CIBIL plays no role in the process itself.

CONCLUSION:

Ultimately, the aim of banking is to serve people better and not just to match the accounts. The banking in India is reaching new heights in terms of customer base, savings ration, investment ratio etc. This reflects the growth of not just banking sector but in a true sense it reflects the growth of India. Indian banking system would act as an important center of growth because it is the only sector that acts as a junction where the paths of different segments of the economy cross their roads. As the banking in India would come to be supported by more and more knowledge based services, Capital would emerge as the finest asset.

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