



Role of IT in banking with Special Reference to Chengannur Taluk

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ABSTRACT: Information technology refers to the acquisition, processing, storage and dissemination of all types of information using computer technology and telecommunication systems. Technology includes all matters concerned with the furtherance of computer science and technology and with the design, development, installation and implementation of information system and applications. Banking environment has become highly competitive today. To be able to survive and grow in the changing market environment banks are going for the latest technologies, which is being perceived as an enabling resource that can help in developing learner and more flexible structure that can respond quickly to the dynamics of a fast changing market scenario. Technology allows banks to create what looks like a branch in a business building's lobby without having to hire manpower for manual operations. These technologies driven delivery channels are being used to reach out to maximum number of customers at lower cost and in most efficient manner. Remarkable progress in economy is identified after the introduction of technology banking services especially internet banking services. Therefore a study has made an attempt to study the individual's perception about the usefulness, ease of use and attitude towards the use of information technology among banking customers in Alappuzha District.

KEY WORDS: Information Technology, Banking, Computer technology, Telecommunication.

Received 25 February, 2019; Accepted 18 March, 2019 © The author(s) 2019.

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I. INTRODUCTION

Liberalization and de-regulation process, which started in 1991-92, has made a drastic change in the Indian banking system. From a totally regulated environment, we have gradually moved into a market driven competitive system. In today's era, one cannot think about the success of any service industry including banking industry without information technology. It has increased the contribution of banking industry in the economy. Financial transactions and payments can now be processed quickly and easily in friction of seconds. Every second development in Information Technology (IT) and its acceptability by the commercial banks in India has enabled them to use IT extensively to offer their products and services to customers apart from just back office processes. Banks with latest information technology techniques are more successful in the cut throat competitive market in these days. Further, they can generate more and more business opportunities resulting in greater profitability. Information technology revolution in banking sector has not only provided improved service to the customers, but also reduced the operational cost. The banking sector has embraced the use of technology to serve its client's faster and also to do more with less. Emerging technologies have changed the banking industry from paper and branch based banks to "digitized and networked banking services. Unlike before, broadband internet is cheap and it makes the transfer of data easy and first. Technology has changed the accounting and management system of all banks. And it is now changing the way how banks are delivering services to their customers. However this technology comes at a cost, implementing all this technology has been expensive but the rewards are limitless.

Information Technology enables sophisticated product development, better market infrastructure, implementation of reliable techniques for control of risks and helps the financial intermediaries to reach geographically distant and diversified markets. Internet has significantly influenced delivery channels of the banks. Internet has emerged as an important medium for delivery of banking products and services. The customers can view the accounts; get account statements, transfer funds and purchase drafts by just punching on few keys. The smart card's i.e., cards with micro processor chip have added new dimension to the scenario. An introduction of 'Cyber Cash' the exchange of cash takes place entirely through 'Cyber-books'. Collection of Electricity bills and telephone bills has become easy. The upgradeability and flexibility of internet technology

after unprecedented opportunities for the banks to reach out to its customers. No doubt banking services have undergone drastic changes and so also the expectation of customers from the banks has increased greater.

IT is increasingly moving from a back office function to a prime assistant in increasing the value of a bank over time. IT does so by maximizing banks of pro-active measures such as strengthening and standardising banks infrastructure in respect of security, communication and networking, achieving inter branch connectivity, moving towards Real Time gross settlement (RTGS) environment the forecasting of liquidity by building real time databases, use of Magnetic Ink Character Recognition and Imaging technology for cheque clearing to name a few. Indian banks are going for the retail banking in a big way. The practice of banking has undergone a significant transformation in the nineties. While banks are striving to strengthen customer relationship and move towards 'relationship banking', customers are increasingly moving away from the confines of traditional branch-banking and are seeking the convenience of remote electronic banking services. And even within the broad spectrum of electronic banking, the aspect of banking that has gained currency is virtual banking. Increase in the functional and geographical spread of banks has necessitated the switchover from hard cash to paper based instruments and now to electronic instruments. Broadly speaking, virtual banking denotes the provision of banking and related services through extensive use of information technology without direct recourse to the bank by the customer.

Application of Information Technology in Banking Sector. The modern-day banking services are critically dependent on technological innovation and improvement. Technology adoption has changed the face of banking in India. Wide spread technology deployment in the banking business has also brought to the fore some new issues and challenges. The following are the several new initiatives were taken by the Reserve Bank towards improving the banking sector technology

Anywhere & Anytime Banking

Anywhere Banking refers to the option where a customer can carry out banking transactions anywhere. He may not visit to bank branch. Anytime Banking refers to the option where a customer can carry out banking transactions anytime during the day. Banks are open from 9AM to 5PM. There is no time constraint with this. This can be achieved through the above banking facilities like ATMs, internet banking, mobile banking, credit cards etc

Automated Teller Machine (ATMs)

An automated teller machine or automatic teller machine (ATM), also known as an automated banking machine (ABM) in Canada, and a Cash point (which is a trademark of Lloyds TSB), cash machine or sometimes a hole in the wall in British English, is a computerized telecommunications device that provides the clients of a financial institution with access to financial transactions in a public space without the need for a cashier, human clerk or bank teller. On most modern ATMs, the customer is identified by inserting a plastic ATM card with a magnetic stripe or a plastic smart card with a chip, which contains a unique card number and some security information such as an expiration date or CVVC (CVV). Authentication is provided by the customer entering a personal identification number (PIN). Using an ATM, customers can access their bank accounts in order to make cash withdrawals, debit card cash advances, and check their account balances as well as purchase prepaid cell phone credit. If the currency being withdrawn from the ATM is different from that which the bank account is denominated in (e.g.: Withdrawing Japanese Yen from a bank account containing US Dollars), the money will be converted at an official wholesale exchange rate. Thus, ATMs often provide one of the best possible official exchange rates for foreign travelers, and are also widely used for this purpose. Further, introduction of automated teller machines (ATMs) enabled customers to do banking without visiting the bank branch.

Mobile Banking or SMS Banking

When people are hard pressed for time, the need for "anytime anywhere" banking gains utmost importance. Bearing this in mind, banks provide a novel service which gives retail customers account information and real-time transaction capabilities from their cell phones. With SMS banking the following services can be obtained: → To get account balance details → To request a cheque book → To request last three transaction details → To pay bills for electricity, mobile, insurance etc. In order to avail the services mentioned above, a user subscribing to a wireless carrier sends an SMS with a predefined code to the bulk service provider's number. The service provider forwards this message to the bank's mobile banking applications

Credit/Debit Cards

A debit card is a plastic card that provides the card holder electronic access to his or her bank account(s) at a financial institution. Some cards have a stored value with which a payment is made, while most relay a message to the card holder's bank to withdraw funds from a designated account in favor of the payee's designated bank account. The card can be used as an alternative payment method to cash when making

purchases. In some cases, the primary account number is assigned exclusively for use on the Internet and there is no physical card. A credit card is a small plastic card issued to users as a system of payment. It allows its holder to buy goods and services based on the holder's promise to pay for these goods and services. The issuer of the card creates a revolving account and grants a line of credit to the consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance to the user.

National Electronic Fund Transfer (NEFT)

The national electronic fund transfer (NEFT) system is a nation-wide system that facilitates individuals, firms and corporate to electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country. For being part of the NEFT funds transfer network, a bank branch has to be NEFT-enabled.

Real Time Gross Settlement (RTGS)

Real time gross settlement systems (RTGS) are funds transfer systems where transfer of money or securities takes place from one bank to another on a "real time" and on "gross" basis. Settlement in "real time" means payment transaction is not subjected to any waiting period. The transactions are settled as soon as they are processed. "Gross settlement" means the transaction is settled on one to one basis without bunching or netting with any other transaction. Once processed, payments are final and irrevocable.

Society for Worldwide Inter-bank Financial Telecommunications (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. 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 facilitates the transfer of messages relating to fixed deposit, 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.
- It serves almost all financial institution and selected range of other users.

Online Banking Online banking (or Internet banking or E-banking)

It allows customers of a financial institution to conduct financial transactions on a secure website operated by the institution, which can be a retail or virtual bank, credit union or building society. To access online banking, the customer would go to the financial institution's website, and enter the online banking facility using the customer number and password. Some financial institutions have set up additional security steps for access, but there is no consistency to the approach adopted.

Phone Banking: Customers can now dial up the bank's designed telephone number and he by dialling his ID number will be able to get connectivity to bank's designated computer. The software provided in the machine interactive with the computer asking him to dial the code number of service required by him and suitably answers him. By using Automatic voice recorder (AVR) for simple queries and transactions and manned phone terminals for complicated queries and transactions, the customer can actually do entire non-cash relating banking on telephone: Anywhere, Anytime.

Tele-banking: Tele banking is another innovation, which provided the facility of 24 hour banking to the customer. Tele-banking is based on the voice processing facility available on bank computers. The caller usually a customer calls the bank anytime and can enquire balance in his account or other transaction history. In this system, the computers at bank are connected to a telephone link with the help of a modem. Voice processing facility provided in the software. This software identifies the voice of caller and provides him suitable reply.

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.

Objectives of the study

The study has following objectives:

- 1.To find out the progress of computerization in all the public sector banks of Chengannur Taluk.
- 2.To analyze the use of information technology in banking sector with the help of Primary Data.
- 3.To analyze the banking innovations after computerization of public sector banks of Chengannur Taluk
4. To identify challenges in the implementation of I.T. solutions in the public sector banks of Chengannur Taluk

Significance of the study

The use of Information Technology in all spheres of financial and banking sectors is a deep reality. The sector has enabled the banking sector to go beyond its traditional role and is now playing an increasingly important role in its key areas of operation as securitization, risks preference and liquidity among others to which IT helps in a big way. It has assumed such high levels that it is no longer possible for banks to manage their IT implementations on a standalone basis. With I.T. revolution, banks are increasingly interconnecting their computer systems not only across branches in a city but also to other geographic locations which high-speed network infrastructure and setting up local areas and networks are now exposed to a growing number.

II. REVIEW OF LITERATURE

According to the World Bank (2003) report on ICT and the Millennium Development Goals, information technology reduces transaction costs per customer and enables banks to provide small loans and services to a larger number of rural customers.

Elena Beccalli (2003) studied the influence of IT (in terms of hardware, software and IT services) on the performance of banks and found that there is an insignificant positive correlation and the existence of a productivity paradox.

Sivakumaran (2005), believes that adoption of technology has led to the following benefits: greater productivity, profitability, and efficiency; faster service and customer satisfaction; convenience and flexibility; 24x7 operations; and space and cost savings

Vadlamani Ravi (2007) defines the term “banking technology” refers to the use of sophisticated information and communication technologies together with computer science to enable banks to offer better services to its customers in a secure, reliable, and affordable manner, and sustain competitive advantage over other banks.

Sources of Data Collection

The present study is based on the primary data collected from customers of several public sector banks from Chengannur Taluk and also on secondary data from different journals, magazines, sites and published data from various issues of RBI and different Public sector banks.

Findings of the study

The following are the major findings of the study obtained through analysis of data.

1. The research work found that under gender wise classification 62% are male respondents.
2. Under age wise classification most of the respondents belongs to the age group of 18 – 25.
3. Majority of the respondents have marked Graduation as their educational qualification.
4. Majority of the respondents are come under the income status below 20000.
5. From the respondents 40% are visit bank to make deposit.
6. 40% of respondents are visit bank 1 – 3 times per month.
7. 58% of the respondents are visiting ATM 1-3 times per month.
8. The research work found that 94% of respondents are the users of internet banking service and 6% of respondents are non-users.
9. 6% of respondents are not using internet banking service because of lack of technical knowledge.
10. 42% of respondents use internet banking monthly.
11. Majority of the respondents give first preference to check balance online from the internet banking services provided by their banks.
12. Around 41% of respondents use internet banking due to 24 hours access of internet banking.
13. From the respondents around 43% regularly use internet banking for paying bills.
14. The majority of the respondents are considering public sector bank as most technologically advanced category of bank.
15. Majority of the respondents’ access internet banking service in mobile phone.
16. 30 of respondents use mobile banking for balance enquiry.
17. 80% of respondents visit bank after they started using internet banking service.
18. From the respondents 60% are satisfied with internet banking service provided by their particular bank.
19. Majority of the respondents state the reason for choosing the particular bank as internet bank that the excellent service offered by their bank.
20. The research work found that majority of the respondents think that the bank can improve their customer relationship through internet banking service.
21. 31% of respondents face obstacle in using internet banking due to lack of internet access and 25% of respondents are afraid about security concern.

22.55% of respondents have the opinion that the contribution of new technology highly paves the way in success of banking sector.

Suggestions

On the basis of the study, the following suggestions are given;

1. It is exposed in the study that there are respondents who have never utilized the internet banking service provided by their bank, even though the awareness on the service is high. Hence, banks and government should encourage people make use of internet banking service.
2. It is better to tune more educational oriented programmers to improve the confidence of the people and to motivate them to conduct more online transactions.
3. The use of e-banking delivery channels is still not up to the mark as expected by the banks. This requires awareness building among the customers about the benefits of these services.
4. The banks have to initiate steps to educate the customers about new banking services / new products, ATMs, online banking, mobile banking etc. The banker may have to conduct different programs like customers day, customer meet and customer campaign in which they can directly interact with their customers and educate them about their new products /services.
5. Branchless banking procedures can be challenging for people who are illiterate or unfamiliar with technology. Making customer aware of how best to use banking services is critical. While this is the responsibility of bank, RBI and government can create the appropriate climate through a well-planned media campaign.
6. Majority of the people are afraid about the security concern of internet banking and they feel it is unsafe. Hence bank and government should conduct awareness programmes stressing on the safety issues
7. The government should ensure that the bank should reduce their unnecessary transaction charges. These charges prevent people from using online transactions.

III. CONCLUSION

The banks in India are using Information Technology not only to improve their own internal processes but also to improvise facilities and services to their customers. The efficient use of technology has facilitated accurate and timely management of the increased transaction volumes of banks which comes with larger customer base. Indian banking industry is greatly benefiting from I.T. revolution all over the world. It enabled sophisticated product development, better market infrastructure, implementation of reliable techniques for control of risks and has helped the financial intermediaries to reach geographically distant and diversified markets.

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Journals Journal Of Software Engineering And Simulation, Vol. 05, No. 01, 2019, Pp. 44-48