

Quality Improvement in Banking Service through the Adoption of Information Technology

Dr. Umesh H. Arahunasi

*Associate Professor,
Department of Commerce,
SKHP GFG College, Hulkoti
Gadag, Karnataka*

Abstract

The 21st Century Banking Has Become Wholly Customer-Driven And Technology – Driven. During The Last Decades, Technology Has Been Dramatically Transforming Banking In India. Due To Competition, Rising Customer Expectations And Shrinking Margins, Banks Has Been Using Technology To Reduce Cost And Enhance Efficiency, Productivity, And Customer Convenience.

Technology-Intensive Delivery Channels Like Net Banking, ATMs, Tele-Banking, Mobile Banking, Etc, Have Created A Win-Win Situation By Extending Great Convenience And Multiple Options For Customers While Providing Tremendous Cost Advantages To Banks.

The Banking Sector, Which Has Played An Important Role In India's Transition From The Agrarian Economy To The One Driven By The Service Sector, Has Itself Undergone A Paradigm Shift In Recent Times. If The Post-Nationalization Era Witnessed A Phenomenal Change Of Focus On The Public Sector Banks, Giving A Thrust To Social And Mass Banking, The Post-Reforms Era Has Been The Banking Sector In The Country Undergoing A Major Make-Over. And The Twin Forces Of Liberalization And Globalization Have Meant That Banking Is No Longer The Same.

This Paper Explained The Role Of Information Technology In Banking Sector Also The Various Qualitative Services Available To The Customers. This Paper Also Focuses On Core Banking Solutions And Banking Customer Relationship Management (Crm).

Key Words: *Information Technology, Bank, It*

I. Introduction:

The pace of development for the Indian banking industry has been tremendous over the past decade. As the world reels from the global financial meltdown, India's banking sector has been one of the very few to actually maintain resilience while continuing to provide growth opportunities, a feat unlikely to be matched by other developed markets around the world. FICCI conducted a survey on the Indian Banking Industry to assess the competitive advantage offered by the banking sector, as well as the policies and structures required to further stimulate the pace of growth. A majority of the respondents, almost 69 per cent of them, felt that the Indian banking Industry was in a very good to excellent shape, with a further 25 per cent feeling it was in good shape and only 6.25 per cent of the respondents feeling that the performance of the industry was just average. This optimism is reflected in the fact that 53.33 per cent of respondents were confident in a growth rate of 15-20 per cent for the banking industry in 2009-10 and a greater than 20 per cent growth rate for 2014-15. Some of the major strengths of the Indian banking industry, which makes it resilient in the current economic climate as highlighted by our survey, were regulatory system (93.75 per cent), economic growth (75 per cent), and relative insulation from external market (68.75 per cent).

Recent time has witnessed the world economy develop serious difficulties in terms of lapse of banking & financial institutions and plunging demand. Prospects became very uncertain causing recession in major economies. However, amidst all this chaos India's banking sector has been amongst the few to maintain resilience. As technology ingrains itself in all aspects of a bank's functioning, the challenge lies in exploiting the potential for profiting from investments made in technology. A lot needs to be done on the technological front to keep in pace with the global economies. Technology systems of Indian banks have been rated more advanced than Brazil and Russia but below par with China, Japan, Hong Kong, Singapore, UK and USA.

Global Expansion of Indian Banking Sector: The idea of creating bigger banks to take on competition sounds attractive but one must realize even the biggest among Indian banks are small by global standards. The lack of global scale for Indian banks came into sharp focus during the recent financial crisis which saw several international banks reneging on their funding commitments to Indian companies, but local

banks could not step into the breach because of balance sheet limitations. As per the survey of FCCI on Banking the 93.75 per cent of all respondents to our survey are considering expanding their operations in the future.

Global aspirations require global standards of operations and efficiency and hence, it is important for Indian banks to attain global benchmarks the suggestions given in bank economists' conference (BECON) 2002, The Indian Banks' Associations (IBA) commissioned the services of Investment Information and Credit Rating Agency of India (ICRA) to study Indian banks on three factors- structural, operational and efficiency- in order to benchmark against those of select international banks. ICRA selected 21 Indian banks (those with assets Rs. 20,000 Cr. as on March 31, 2003) and analyzed them on 15 parameters.

Unlike their western counterparts, Indian banks had the opportunity to leapfrog through technological innovations as they started off with a comparatively clean slate. CBS enables banks to consolidate their technology platforms across functions and geographies leveraging cost and at the same time acquiring flexibility and scalability to adapt to a fast changing and competitive environment. The shift to IFRS standards by 2011 with valuation of assets on the basis of current rather than historical cost would be one of the major driving forces for the implementation of Core Banking Solutions. As per the FCCI Survey 73.33 per cent of respondents are cent per cent compliant with core banking solution requirements, with the remainder, mostly public sector banks, lagging behind in implementation within rural areas. Integrating CBS with common inter-bank payment systems can benefit banks and financial institutions in terms of facilities such as CRM, customer profiling and differentiation for improved customer service. Amongst those respondents that have not yet implemented Core banking solutions, 75 per cent expect complete implementation of CBS within 0-1 years, with the rest expecting implementation within the next 2 years at the maximum. The future would require banks to have increased business agility and operational efficiency, which makes the implementation of Core Banking Systems (CBS) by banks increasingly important.

Service Quality of the Banks: Banking being a service based sector is largely affected by the quality of service delivered. With foreign banks making inroads in the Indian economy, Service quality is concept that has aroused considerable interest and debate in research literature because of the difficulties in both defining measuring it with no overall consensus emerging on either. There are number of different „definition“ has to what is meant by service quality. One that is commonly used defines service quality as the extent to which a service meets customers' needs or expectations. Service quality can thus be defined as difference between customers' expectations of service and perceived service. If expectations are greater than performance, and then perceived quality is less than satisfactory and customers dissatisfaction occurs. In the banking industry, service quality can be identified on the basis of the five factors like Core service or service products, Human elements of service delivery, Systematization of service delivery-non human elements, Tangibles of service – service scopes and Social responsibility.

Core service relates to the fundamental operations of the bank, i.e. the financial transactions, their reliability and security. The Human elements deal with personalization of services. The third factor systematization deals with non-human elements mean back process like the maintenance of records or time taken in the deliverance of services. The tangible relates the physical infrastructure scopes. And finally, social responsibility is the usefulness of the service to the society in general. Though the factors look independent of each other, research shows that they are highly co-related and influence each other.

IT in Banking: With the Indian banking sector poised to open up further by welcoming global competition, consolidation gained momentum. This now means that large banks, with disparate systems, cannot any longer assume that the current rate of growth and returns will continue given the nimbleness of some of the new players and likely competitive environment in the financial services business. A common connecting link for the banking sector globally is continued consolidation and sustained pressure on profitability. It is here that early technology adoption is making a difference. The use of technology has helped the banks extend the scope of operations beyond branch banking and move on to alternative channels like internet banking, telephone banking, ATMs and so on.

While extensive networks of ATMs are offering various banking services to the customers, biometric ATMs in rural areas are now catering to the needs of illiterate customers. SMS banking alerts are emerging as an ideal option to reach the large customers base using mobile phones. Touching upon the other IT initiatives in banking, email facility has gone beyond closed user group to exchange information with the customers and other stakeholders. To impart the personal banking feeling, the focus is on video banking and video services.

Indian have jointly launched "secure mobile payment solution" product. The service is expected to facilitate YES bank customers, sending money from one mobile number to another instantly. The facility would, however function only if the user is registered with YES bank – Obopay Mobile Payment Solution service and has the mobile application downloaded on the mobile phone (J2ME) or Web applications having GPRS connectivity (WAP) or through the popular SMS route. Except for downloading application to facilitate this service, there is nothing on the handsets. Everything is encrypted. So even if one were misplace or lost his

handsets , there would be no clue. The Interactive Voice Response call back would ask for PIN and other details to ensure a secure environment.

Challenges of Technological Upgradation: Infusion of technology in banking operation is fraught with many challenges, especially for traditional banks with their numerous legacy systems. Applying technology to an ineffective or inefficient process will produce only marginal results at best and can lead to higher costs or less efficient services. One of the vital areas overlooked by many traditional banks while upgrading their technology infrastructure is the elimination of the existing redundant processes. Through standard software solutions are developed based on the best practices of the industry, many banks in their zealous efforts to customize the package to meet their existing systems and procedures were unable to fully leverage the power of technology inherent in the solution.

The heavy initial cost involved in the implementation of IT will be major constraints for many banks, especially for extending the fruits of technology to a large number of rural customers. The Interim solution of 20 per cent branches 80 per cent business models followed by many banks conveniently excluded their rural branches due to economic reasons. This is when innovative application of appropriated technology solutions should come to the rescue of banks to achieve cost-effectiveness".

Due to historical reasons, banks have been left with various silos of information systems. This separate systems should be inter-operable, enable straight through processing better speed, efficiency and convenience. The key technologies used by a bank should be built on common architecture and standards. This will ensure the inter-operability and communication among application and systems while keeping support and training costs under control. Also, in the ever-changing technology scenario the decision of update a new platform should be taken after considering all its pros and cons, rather than adopt change blindly.

II. Conclusion:

The face of banking is changing rapidly. Competition is going to be tough and with financial liberalization under the WTO, banks in India will have to benchmark themselves against the best in the world. For a strong and resilient banking and financial system, therefore, banks need to go beyond peripheral issues and tackle significant issues like improvements in profitability, efficiency and technology, while achieving economies of scale through consolidation and exploring available cost-effective solutions. These are some of the issues that need to be addressed if banks are to succeed, not just survive, in the changing milieu. We know that every action has an equal and opposite reaction. In the same way, the evolution of any new technology wave creates lots of hype and hope but at the same time may bring some adverse side effects too. However, financial institutions have been known to be very enthusiastic in accepting any new technology that is around.

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