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DEVELOPMENT OF BANKING TECHNOLOGY IN INDIA

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ABSTRACT

Technology has brought about a complete paradigm shift in the functioning of banks and delivery, of banking services. Gone are the days when every banking transaction required a visit to the bank branch. Today, most of transactions can be done from the comforts of one's home and customers need not visit the bank branch for anything. Technology is no longer an enabler, but a business driver. The" growth of the internet, mobiles and communication technology has added a different dimension to banking. The information technology (IT) available today is being leveraged in customer acquisitions, driving automation and process efficiency, delivering" ease and efficiency to customers. Many of the IT initiatives of banks started in the late 1990s, or early 2000, with an emphasis on the adoption of core banking solutions (CBS), automation of branches and centralisation of operations in the CBS. Over the last decade, most of the banks completed the transformation to technology-driven organisations. Moving from a manual, scale-constrained environment to a global presence with automated systems and processes, it is difficult to envisage the adverse scenario where the sector was in the era before the reforms, when a simple deposit or withdrawal of cash would require a day. ATMs, mobile banking and online bill payments facilities to vendors and utility service providers have almost obviated the need for customers to visit a branch. Branches are also transforming from operating as transaction processing points into relationship management hubs.

In the highly competitive world of banking today. Banks are reaching out to customers, particularly high net worth or wealthy customers. One area of lucrative finance for bankers is consumers finance more particularly car finance. A preferred financer is a lender or a bank. Who provides large consumer loans like car loan under an arrangement with the car manufacturer, because of the tie-up, the manufacture agrees to provide some concession in the car price and some additional facilities in the car. Thus, the manufacture makes available for two reasons one purchase price is assured and second it gives some push for the demand of that car. Preferred financier also benefits. He gets wealthy customers Default in the consumer finance sector is minimum because most of the customer have regular income. Third loans are provided against hypothecation of car. Which has a resale value? In the event of default, it can be sold and value realized. The preferred financier sending his officials to the dealer's showroom provides all information about the loan facility and gets all documentation done at the showroom itself for the loan. The customer also gains in some ways. Comparatively reduced rate of interest for loan, getting finance documentations done at the dealers showroom itself, benefit from some gift scheme etc.

KEYWORDS - Banking Technology, Information Technology, Finance.

INTRODUCTION

Today banking sector has playing very important role in the economy. Technology has brought about a complete paradigm shift in the functioning of banks and delivery, of banking services. Gone are the days when every banking transaction required a visit to the bank branch. Today, most of transactions can be done from the comforts of one's home and customers need not visit the bank branch for anything. Technology is no longer an enabler, but a business driver. The growth of the internet, mobiles and communication technology has added a different dimension to banking. The information technology (IT) available today is being leveraged in customer acquisitions, driving automation and process efficiency, delivering" ease and efficiency to customers. Many of the IT initiatives of banks started in the late 1990s, or early 2000, with an emphasis on the adoption of core banking solutions (CBS), automation of branches and centralisation of operations in the CBS. Over the last decade, most of the banks completed the transformation to technology-driven organisations. Moving from a manual, scale-constrained environment to a global presence with automated systems and processes, it is difficult to envisage the adverse scenario where the sector was in the era before the reforms, when a simple deposit or withdrawal of cash would require a day. ATMs, mobile banking and online bill payments facilities to vendors and utility service providers have almost obviated the need for customers to visit a branch. Branches are also transforming from operating as transaction processing points into relationship management hubs.

Today banks are reaching out to customers, particularly high net worth or wealthy customers. One area of lucrative finance for bankers is consumers finance more particularly car finance. A preferred financer is a lender or a bank. who provides large consumer loans like car loan under an arrangement with the car manufacturer, because of the tie-up, the manufacture agrees to provide some concession in the car price and some additional facilities in the car. Thus, the manufacture makes available for two reasons one purchase price is assured and second it gives some push for the demand of that car. Preferred financier also benefits. He gets wealthy customers Default in the consumer finance sector is minimum because most of the customer have regular income. Third loans are provided against hypothecation of car. Which has a resale value. In the event of default, it can be sold and value realized. The preferred financier sending his officials to the dealer's showroom provides all information about the loan facility and gets all documentation done at the showroom itself for the loan.

OBJECTIVES OF THE RESEARCH STUDY

The present research study was carried out with following objectives in view:

1. To study the Development of Banking Technology in India.
2. To study the Importance of Technology for Banking Sector.
3. To suggest some measures for implementation of Development of Banking Technology in India.

RESEARCH METHODOLOGY

The present research study uses the most recent available published secondary data. To achieve the above stated objectives, the secondary data was used. The secondary data that are mainly used are published in annual reports of various banks and survey reports of leading business magazines. The secondary data was also used from various reference books related to Banking Technology, New Age Banking Technology, Information Technology, Marketing, Banking, Finance, Commerce, Management etc. For the said research study the secondary data is also collected from the various National and International Research Journals which are related to Commerce, Management, Marketing and Finance.

For the said research study the data pertaining to the above objectives was collected and reviewed the literature on the topic concerned. The literature was thus collected by visiting various libraries. The Secondary data is also collected from various websites.

HYPOTHESIS OF THE RESEARCH STUDY

The said research study is carried out with the following hypothesis in view:

H-1 In early days, efficient and quick service to customer can be provided with the help of modern technologies.

H-2 Recent years, the growth of the internet, mobiles and communication technology has added a different dimension to banking.

TYPES OF FINANCING

1. Take out financing - Banks usually lend for short term it is because their source of funds for financing comes from deposits which are usually for a maximum period of 3 to 5 years. However presently banks are encouraged to provide finance for long term projects like infrastructure industry. Hence when a bank, lend for 10 years against a 4 years deposit, there is a problem of continuing the loan after 4 years. In such a situation, few banks will come together and under an arrangement each one of them will take up the loan portfolio in turn, for a fixed period of time till the loan matures. For example, if Bank 'A' has parodied a 10 year loan. with an arrangement with bank "B' and bank 'C' whereby after the end of the 4th year Bank 'B' will finance the loan for next three years and bank 'C' will finance the loan during the last three (3) years

2. Revolving Credit Facility - Under the revolving credit facility a banks fixes up a credit limit to a borrower for certain period, say ` 10 crores for 3 years period. The borrower will get a maximum credit facility of ` 10 crore at any point of time once the loan is repaid. The borrowers facility automatically gets renewed up to` 10 crore during the 3 year period any number of times, In other words the credit facility there is no formal repayment period. The borrower is allowed to draw repay and again draw throughout the loan period.

3. Ever greening of Loan - Sometimes a bank provides a second finance facility to a borrower to help him to pay back the original loan. Why should a bank do it when the banks' exposure to the customer remains same? it is because when a borrower defaults on payment of interest / principal to the bank as per prudential norms the loan account will become an NPA and the bank has to make provisions. To avoid to such an unpleasant situation and to show a rosy picture of banks loan portfolio. Sometime banks do resort to ever greening RBI does not permit this type of replacement credit.

4. Syndicated Loan - It is a loan facility provided to a single borrower by a group of banks. As the loan is extended by a group of leaders. The size of syndicated loan is normally large and single lender / banker may not have in a position to extend such a facility. It could also be that a single lender may not like to have such a large exposure (credit risk) to a single borrower. Syndicated loans are arranged to finance projects needing large sums of money where the credit risk is also high. These loans are for financing medium to long term requirements. Since then, bankers involved in providing such loan facility are many; usually co-ordination work is done by "lead manager", who acts as an intermediary between the lenders and the borrower. One interesting point in syndicated loan arrangement is that the borrower indicates his requirements of lump sum and the prospective lenders have to offer as to what extent they are prepared to extend the facility.

Also under this arrangement one bank in the syndicate acts an agent for collecting interest and other payments from borrower and distributes to other banks

5. Bridge Loan - Bridge loan is a short term temporary loan extended by the financial institutions to help the borrower to meet the immediate expenditure pending disposal of requests for long term funds or regular loans. For example, when a borrower's application for project finance is pending for final sanction the bank may extend a bridge loan to the borrower to meet urgent expenses. Usually a bridge loan get repaid out of the main loan when sanctioned during 1980 corporate used to avail to bridge loans from banks against the expected subscription on public issue of debentures, equity etc. Here, the bridge loan is not against any main loan arrangement but against anticipated cash flow. Again if an individual is negotiating the sale of his asset say a house, a bridge loan may be extended by a bank to meet the seller's immediate cash requirements. The loan will be paid off when the borrower realizes his sales proceeds. Bridge loan is relatively risky for the bankers when repayment depends up on an external factor not under the control of lenders.

SUGGESTIONS

The researcher would like to make the following suggestion for effective use of modern technologies in banking sector and for increasing overall performance of the banks.

1. Banks may have to concentrate upon maintaining old customers. Because getting new customers is first differentiate the entire customer into separate groups such as – corporate customers, employee customers (serviceman) housewives, male, female, students, pensioners, self employed, persons, entrepreneurs etc.

2. Marketing of banking services is become necessary activity in daily routine. Each branch of the Scheduled Urban Cooperative Banks in Pune District area should appoint 'Marketing Officer' who would be responsible for marketing all the new products and can guide the customer properly. The specialized staff must be appointed for marketing of banking services by all the banks. The required training may be given to this specialized staff of the banks.
3. Banking institutions have to face global competition. For this purpose each bank must have to increase its strength with the help of maintaining old customers and achieving new customers. Now 'survival of the fittest' becomes important feature in each field, including banking. For strengthening the banking unit, it is necessary to increase profit by providing new services to the customers and to face global competition.
4. In respect of adopting new technology in the banking field the employees must be well trained.
5. The training programmes for getting techniques of utilizing the computer, internet and various types of electronic Medias must be arranged by the banks.
6. The banking employees should be always ready to accept the changes, which take place in this field.

CONCLUSION

In the highly competitive world of banking today. Banks are reaching out to customers, particularly high net worth or wealthy customers. One area of lucrative finance for bankers is consumers finance more particularly car finance. A preferred financer is a lender or a bank. Who provides large consumer loans like car loan under an arrangement with the car manufacturer, because of the tie-up, the manufacture agrees to provide some concession in the car price and some additional facilities in the car. Thus, the manufacture makes available for two reasons one purchase price is assured and second it gives some push for the demand of that car. Preferred financier also benefits. He gets wealthy customers Default in the consumer finance sector is minimum because most of the customer have regular income. Third loans are provided against hypothecation of car. Which has a resale value? In the event of default, it can be sold and value realized. The preferred financier sending his officials to the dealer's showroom provides all information about the loan facility and gets all documentation done at the showroom itself for the loan. The customer also gains in some ways. Comparatively reduced rate of interest for loan, getting finance documentations done at the dealers showroom itself, benefit from some gift scheme etc.

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