

IMPACT OF INFORMATION TECHNOLOGY ON BANKING INDUSTRY

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INTRODUCTION

The information technology has revolutionized various aspects of our life. The world at large is rapidly entering into the 'Net Age'. Internet or simply 'Net' is an inter connection of computer communication networks covering the whole world. The growth and expansion of Internet and Information Technology have facilitated the emergence of E-commerce.

When the business and commerce tend to be on the electronic modes, banking can never remain isolated. When E-commerce refers to carrying on business transactions electronically, it covers any form of business including banking. Hence, E-banking implies performing basic banking transactions by customers round the clock globally through Electronic Media. Modern banking is more information based, speedy and boundary-less due to the impact of E-Revolution. Modern banks have to be well-versed in Information Technology- its users and applications. Banking divisions have to be IT based, with the spread of digital economy. E-business is more of a science than art. E-banking is knowledge-based and mostly scientific in using electronic devices of the computer revolution. When most business and commercial enterprises tend to become internetworking organizations, banking has to be E-banking in the new century.

Traditional Banking Vs E-Banking

In traditional banking, the customer has to visit the branch of the bank in person to perform the basic banking operations viz. account enquiry, funds transfer, cash withdrawals etc. The brick and mortar structure of a bank is essential to perform the banking functions.

On the other hand, E-banking enables the customers to perform the basic banking transactions by sitting at their office or at homes through PC or LAPTOP. The customers can access the banks website for viewing their Account details and perform the transactions on account as per their requirements. With E-banking, the brick and mortar structure of the traditional banking gets converted into a click and portal model, thereby giving a concept of virtual banking a real shape. Thus, today's banking is no longer confined to branches. Customers are being provided with additional delivery channels which are more convenient to customers and are cost effective to the banks. These delivery channels include ATM, Tele banking, Internet Banking, Mobile Banking, Home Banking, etc. Thus, E-banking facilitates banking transactions by customers round the clock globally.

Conventional banking is an art. But, E-banking is more of a science than art. E-banking is knowledge-based and mostly scientific in using the electronic devices of the computer

revolution. When most corporate tend to become internetworking organizations, banking has to be E-banking in the new century.

E-banking Transactions

Though any type of transactions can be handled through E-banking in the initial phase, most of the basic banking transactions can be performed conveniently through internet banking. The basic functions are like:

- Account Enquiry
- Fund transfer
- Payment of Electricity, Water, and Telephone bills etc.
- Online payment for transactions actually performed through Internet
- Request for issuance of cheque book, draft etc.
- Statement of Accounts
- Access to latest schemes
- Access to rates of interest and other service charges

Models for E-Banking

To implement effectively E-banking and augment the level of technology the following models have been suggested:

1. Complete Centralized Solution (CCS)
2. Cluster Approach
3. High Tech Bank within Bank

Complete Centralized Solution

This is an ideal branch network model on which E-banking activities can be implemented uniformly and efficiently. Under this model, the bank has to provide web-server and the requisite software which is connected to the main server. Once the required hardware and software are set in, the customers can access the web-server for their basic banking operations using any standard browser at any location.

Cluster Approach

Under this model, computerized branches of each city are connected with Regional Processor located at each such city which is then connected through reliable media to a centralized High end server. Under this approach, it is necessary that an integrated computerization is available at all branches so that connectivity amongst various branches can be established through Regional clusters. Most of the branches are computerized in an integrated way through Network/Unix Server.

High Tech Bank within Bank

Under this concept, complete computerization of all branches is avoided. Within each bank, two different types of banks would function concurrently viz. High Tech Bank providing E-banking facilities through select branches and traditional bank offering traditional services

through other branches. This approach enables the banks to play a balanced role to offer state of the art service to ever demanding customers of major cities and simultaneously continue to offer traditional personalized services to the mass customers who still dominate the banking scene.

Advantages of E-Banking

E-banking has following advantages:

Round the clock banking

E-banking facilitates performing of basic banking transactions by customers round the clock globally. World-wide 24 hours and 7 days a week banking services are made possible. In fact, there are no restricted office hours for E-banking.

Convenient banking

E-banking increases the customers convenience. No personal visit to the branch is required. Customers can perform basic banking transactions by simply sitting at their office or at home through PC or LAPTOP. Customers can get drafts at their door steps through e-mail call. Thus, E-banking facilitates home banking.

Low Cost Banking (Service)

The operational costs have come down to technology adoption. The cost of transactions through internet banking is much less than any other traditional mode.

Profitable banking

The increased speed of response to customer requirements under E-banking vis-à-vis branch banking can enhance customer satisfaction and, consequently can lead to higher profits via handling a larger number of customer accounts. Banks can also offer many cash management products for the existing customers without any additional cost.

Low cost banking (establishment)

Brick and Mortar structure of banking gets converted into click and portal banking. Banks can have access to a greater number of potential customers without the commitment costs of physically opening branches. Hence, there is much saving on the cost of infrastructure. Moreover, requirement of staff at the banks get reduced to a greater extent.

Quality banking

E-banking opens new vistas for providing efficient, economic and quality service to the customers. E-banking allows the possibility of improved quality and an enlarged range of services being made available to customers.

Speed banking

The increased speed of response to customer requirements under E-banking will lead to greater customer satisfaction and handling a larger number of transactions at a lesser time. Thus, it increases the customer's convenience to a greater extent and facilitates better customer retention.

Service Banking

E-banking creates strong basic infrastructure for the banks to embark upon many cash management products and to venture in the new fields like E-commerce, EDI etc. Instant credit, one day credit, immediate payment of utility bills, instant transfer of funds etc. would be made possible under E-banking. In brief, it adds conveniences to the entire banking services apart from widening the range of services.

CONCLUSION

Today's banking is virtual Banking. Virtual banking denotes the provision of banking and other related services through the extensive use of IT, without direct resource of the bank by customers. The salient features of virtual banking are the overwhelming reliance on IT and the absence of physical bank branches to deliver banking services to customers. The principal types of virtual banking services include Automated Teller Machines (ATMs), shared ATM networks, Electronic Funds Transfer at point of sale (EFTPoS), smart cards, stored value cards, phone banking, home banking, internet and intranet banking. Thus, the practice of banking has undergone a significant transformation due to the adoption of E-banking.

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