INFORMATION TECHNOLOGY IN BANKING

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Introduction

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. It is also viewed as an instrument of cost reduction and effective communication with people and institutions associated with the banking business. The Software Packages for Banking Applications in India had their beginnings in the middle of 80s, when the Banks started computerizing the branches in a limited manner. The early 90s saw the plummeting hardware prices and advent of cheap and inexpensive but high powered PC's and Services and banks went in for what was called Total Branch Automation (TBA) packages. A lot of Information Technology is used in banking. In larger banks all branches are connected via networks to a bank's "data center" Data centers are where the mainframe and servers are housed for the bank. Also all ATM Machines are connected to the data center in the same way. Most people working for a bank have a computer (Branches and back office departments), which all need upgraded from time to time plus they need new software installed to fit the user's needs. Also with large banks they usually have a call center (or multiple call centers) which are all interconnected and work together to serve the customer's needs (Using Telephony and other networks)

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 standardizing 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 key driver to charge has largely been the increasing sophistication in technology and the growing popularity of the Internet. The shift from traditional banking to e-banking is changing customer's expectations.

E-Banking

In India e-banking is of recent origin. The traditional model for growth has been through branch banking. Many banks have modernized their services with the facilities of

computer and electronic equipments. The electronics revolution has made it possible to provide ease and flexibility in banking operations to the benefit of the customer. The e-banking has made the customer say good-bye to huge account registers and large paper bank accounts. The e-banks, which may call as easy bank offers the following services to its customers:

- Credit Cards/Debit Cards
- ATM
- E-Cheques
- EFT (Electronic Funds Transfer)
- DeMAT Accounts
- Mobile Banking
- Telephone Banking
- Internet Banking
- EDI (Electronic Data Interchange)

   We make a short discussion about core banking system, mobile banking and online banking.

Core banking System

   The core banking system is the set of basic software components that manage the services provided by a bank to its customers through its branches (branch network). The bank's customers can make their transactions (deposits and withdrawals) from any agency on the ATM / RCMP at their disposal. The issue of software publishers of core banking is to develop new products and services while reducing total cost of ownership while remaining affordable for consumers.

Advantages of core banking solutions

- Transparency of financial institutions.
- Anti financial crime (eg money laundering)
- Compatibility with European directives
- Multi-channel (internet, phone)
- Multi currency (e.g. ISO 4217)
- Multiple languages (e.g. ISO 639)

What is Mobile Banking?

   Mobile banking is a way for the customer to perform banking actions on his or her cell phone or other mobile device. It is a quite popular method of banking that fits in well with a busy, technologically oriented lifestyle. It might also be referred to as M-banking or SMS banking.

   List of transactions that can be carried out with Mobile:

Account Information

- Mini-statements and checking of account history
- Alerts on account activity or passing of set thresholds
- Monitoring of term deposits
- Access to loan statements
- Access to card statements
- Status on cheque
- Recent transactions
- Due date of payment (functionality for stop, change and deleting of payments)
- PIN provision, Change of PIN and reminder over your mobile phone

Online Banking

Online banking means making banking transactions through the internet. You can access your bank account via internet by registering yourself with your bank for online banking. Through **online banking** you can make deposits , withdrawals and even pay your bills by just clicking the mouse, the only thing you need is a computer with an internet access. By using online banking you can avoid the bank queue and make transactions from the convenience of your home or office. You can check your bank balance and transactions, pay your bills online by typing the instructions on the internet. The fee for online banking is very low and this service is worth every rupee spend on it. Another advantage is that there is no waste of paper and time. The bank prints your bank account statement and then posts it, this process use to take a lot of time and money , all this is avoided by online banking.

Online banks allow you to do everything online, including

- Open accounts
- Fund accounts
- Transfer money between accounts
- Use online bill pay services
- Buy CDs
- Get loans
- Access overdraft lines of credit
  You can also access your cash in the real world with a debit card.

Impact of IT on Banking System

The advantages accruing from computerization are three-directional - to the customer, to the bank and to the employee.

For the Customer

Banks are aware of customer's need for new services and plan to make them available. IT has increased the level of competition and forced them to integrate the new

technologies in order to satisfy their customers. They have already developed and implemented a certain number of solutions among them:

- **Self-inquiry facility:** Facility for logging into specified self-inquiry terminals at the branch to inquire and view the transactions in the account.
- **Remote banking:** Remote terminals at the customer site connected to the respective branch through a modem, enabling the customer to make inquiries regarding his accounts, on-line, without having to move from his office.
- **Anytime banking**: Anywhere banking: Installation of ATMs which offer non-stop cash withdrawal, remittances and inquiry facilities. Networking of computerized branches inter-city and intra-city, will permit customers of these branches, when interconnected, to transact from any of these branches.
- **Telebanking:** A 24-hour service through which inquiries regarding balances and transactions in the account can be made over the phone.
- **Electronic Banking:** This enables the bank to provide corporate or high value customers with a Graphical User Interface (GUI) software on a PC, to inquire about their financial transactions and accounts, cash transfers, cheque book issue and inquiry on rates without visiting the bank. Moreover, LC text and details on bills can be sent by the customer, and the bank can download the same. The technology used to provide this service is called electronic data interchange (EDI). It is used to transmit business transactions in computer-readble form between organizations and individuals in a standard format.
- As information is centralized and updates are available simultaneously at all places, single-window service becomes possible, leading to effective reduction in waiting time.

For the Bank

During the last decade, banks applied IT to a wide range of back and front office tasks in addition to a great number of new products. The major advantages for the bank to implement IT are:

- Availability of a wide range of inquiry facilities, assisting the bank in business development and follow-up.
- Immediate replies to customer queries without reference to ledger-keeper as terminals are provided to Managers and Chief Managers.
- Automatic and prompt carrying out of standing instructions on due date and generation of reports.
- Generation of various MIS reports and periodical returns on due dates.
- Fast and up-to-date information transfer enabling speedier decisions, by interconnecting computerized branches and controlling offices.

For the Employees

IT has increased their productivity through the followings:

- Accurate computing of cumbersome and time-consuming jobs such as balancing and interest calculations on due dates.
- Automatic printing of covering schedules, deposit receipts, pass book / pass sheet, freeing the staff from performing these time-consuming jobs, and enabling them to give more attention to the needs of the customer.
- Signature retrieval facility, assisting in verification of transactions, sitting at their own terminal.
- Avoidance of duplication of entries due to existence of single-point data entry.

Conclusion

Information Technology enables new product development, better market infrastructure, implementation of right techniques for control of risks and helps banks to extend their markets geographically. We know that investments in newer technologies must be made to modernize existing operations, to face competitive challenges, and to meet customer expectations. Some of these investments will also be made with the goal of achieving cost savings, energy efficiency and environmental friendliness. In the years ahead, the ability of banks to harness new technologies to meet the demands of households and businesses will be tested. I am confident that banks and other financial institutions will meet these challenges head on, continue to find new and better ways to put technology to their and their customers' best use, and that they will manage the technology and business risks associated with these investments.

References

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2. www.msn.com