Blending Tradition and Technology: IKS in Modern Banking

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Abstract
IKS stands for Indian Knowledge Systems, a division of India's Ministry of Education focused on promoting, preserving, and integrating India's rich heritage of traditional knowledge in science, technology, arts, philosophy, and more into modern education and research, aligning with the National Education Policy (NEP) 2020 for holistic development and decolonization of the mind. It encompasses vast fields like mathematics, astronomy, medicine (Ayurveda), yoga, linguistics, and cultural practices, aiming to make this wisdom accessible and relevant for contemporary global welfare. The main objective of the IKS Division is to go beyond merely acknowledging the existence of Indian Knowledge Systems and to rejuvenate and mainstream it by integrating it into the fabric of our education research ecosystem for the contemporary world. Integrating the Indian Knowledge System (IKS) with digital banking ethics fosters sustainable, transparent, and Trust-based financial services by incorporating, dharma (righteousness), integrity, and holistic well-being into technology-driven banking. . The study conducted was exploratory in nature and found that if the ethics and principles mentioned in Indian knowledge System are applied in digital banking sector.
Keywords: Indian Knowledge System, Digital Sustainability, Ethical Governance

Introduction

The Indian Knowledge System (IKS) refers to the vast intellectual traditions of India developed over thousands of years in fields such as philosophy, economics, governance, ethics, education, ecology, health, and social conduct. These knowledge traditions—rooted in texts such as the Vedas, Upanishads, Arthashastra, Bhagavad Gita, Tirukkural, and numerous regional literature—provide a strong foundation for ethical conduct and societal well-being. Exploring ancient banking systems is of paramount significance as it offers a gateway to comprehending the fundamental aspects of human civilization. This study becomes crucial in unravelling the complex interplay between economic, social, and cultural forces that shaped ancient societies. Several compelling reasons underscore the importance of investigating the intricacies of ancient banking systems. Technological advancements represent a substantial point of difference. Modern banking relies on cutting-edge technology, including online banking, mobile apps, and advanced financial software to optimize efficiency and security. In contrast, the technological infrastructure in ancient India was rudimentary. Nonetheless, the ancient Indian banking system exhibited resourcefulness in technology usage through innovative financial instruments like the “hundi” system, showcasing an early form of secure fund transfer within the limitations of the time. Such comparison underscores the dynamic nature of banking systems across historical periods. The transition from decentralized to centralized structures, the unique role of religious institutions, the evolution of financial instruments, global connectivity, and technological advancements collectively highlight the diverse approaches societies have adopted to meet their economic needs.

Objectives

1. To study ancient Indian economic thought and its application in banking sector.
2. To study the importance of Indian Knowledge System in modern banking.
3. To study the overall Challenges in Integration and future opportunities.

Review of Literature

Bala (2017) examined India’s international trade during ancient times, especially maritime trade with countries in Southeast Asia, Rome, and the Middle East. Ports like Lothal, Bharuch, and Muziris were active centers for export and import. Indian goods such as spices, cotton, and gems were in great demand. This international trade flourished because Indian merchants followed long-term partnerships, product quality, and trust-based relationships.

Majumder (2020)in his study describes the introduction to commerce and management, how it basically evolved, how much it has developed over the time both in terms of Management in organization and commerce relating to small medium enterprises and start-ups. Not everything has some positive side there are also some negative sides that you will read in this paper also in terms of commerce and management combined how both has affected the people as well as the economy in total and how the remedies are take into action and at last will be the conclusion of how it’s all important and helped us over the course of the years.

FinTech innovations have played a crucial role in reshaping traditional banking worldwide. Studies show that digital finance adoption increases operational efficiency and customer satisfaction but also brings challenges that require agile adaptation and strategic collaboration between legacy banks and FinTech firms (Nkatekho, 2022). While this research does not explicitly engage with IKS, it provides useful context for understanding the technological forces reshaping banking systems that might be informed by culturally rooted knowledge systems.

Research on digital banking in India underscores the rapid transformation driven by technological innovation, financial inclusion efforts, and customer-centric services. Yadav, Prakash, and Kampani’s (2023) review of digital banking highlights the structural changes in Indian banks as they integrate digital technologies to enhance customer experience and address operational challenges, pointing to digital banking’s growing importance in the Indian context.

Importance of IKS in Banking:

Historical Foundation: Incorporates indigenous banking systems, including the role of shroffs, moneylenders, and merchant guilds (shrine’s).

Ethical Framework: Promotes *Dharma* (righteousness) in financial dealings, discouraging exploitative practices and emphasizing social welfare, similar to Gandhi an economic thought.

Sustainability & Stability: Integrates traditional, long-term perspectives on wealth creation and economic resilience with modern, rapid financial innovations.

Trust-Based Transactions: Emphasizes *Hundis* (indigenous, negotiable instruments) and personal relationships in credit, fostering a reliable, community-based banking system.

Financial Literacy & Well-being: Connects ancient financial wisdom with modern literacy, encouraging holistic, stress-free management practices in the corporate sector.

Technological Alignment: Bridges traditional knowledge with modern digital banking (e.g., UPI, FinTech) to create inclusive and secure financial services.

These principles are being integrated into modern, sustainable, and ethical banking frameworks to address contemporary economic challenges.

Importance of IKS in Modern Banking

Relationship Banking and Trust: IKS emphasizes building long-term trust, similar to traditional Shrine's (guilds) or Shroff, which is now being adapted in modern CRM for better customer loyalty.

Rural Financial Inclusion: Programs like community-based lending have shown success, with examples showing up to a 25% reduction in rural portfolio NPAs.

Sustainable and Ethical Finance: Drawing on ancient texts (e.g., Arthashastra), modern banking is moving towards ethical investment, sustainability, and responsible financial management.

Technological Integration: Modern, digital tools like vernacular chatbots (e.g., HDFC) and UPI are blended with indigenous knowledge to make services more accessible.

Value-Based Banking: Focus on ethical, community-based, and sustainable models that align with the philosophy of Jnan (knowledge) and Jeevan Darshan (life philosophy).

Real-World Examples of IKS in Banking

SBI: Implemented village-level entrepreneurship programs, increasing rural customer acquisition by 40%.

HDFC Bank: Uses vernacular Chabot's, improving query resolution by 35%.

Axis Bank: Introduced festival-linked savings products, achieving 50% higher adoption rates in target communities.

ICICI Bank: Utilizes community-based lending to significantly reduce NPAs in rural portfolios.

Challenges in Integration

Challenges of Indian Knowledge System With the advent of globalization, there is a race to replace the traditional education system and make it a global standard through modernization. The teaching methodology, curriculum and medium of instruction have changed dramatically. This has greatly changed the social dynamics. This has led to social imperialism and cultural imperialism. In cultural imperialism, countries with higher social status dominate the societies and cultures of countries with lower social status. While the NEP has started to gain momentum to a large extent, India remains the second largest education system in the world with over 15 lakh schools, 25 crore students and 89 lakh teachers. The size of the higher education system is also very large. Integrating these traditional values into a modern, fast-paced, and largely westernized banking system involves significant hurdles:

Technology & Standardization: Difficulty in adapting traditional, qualitative, and culturally nuanced knowledge into standardized, quantitative, and automated digital CRM systems.

Documentation and Tacit Knowledge: Much of IKS is transmitted orally and is not formally documented, making its codification into digital systems challenging.

Staff Training and Change Management: Resistance from staff accustomed to conventional banking models and the need for specialized cultural sensitivity training.

Regulatory & Data Privacy Constraints: The need to align traditional practices with strict, modern, and evolving regulatory frameworks (like RBI guidelines).

Cultural Imperialism Bias: Overcoming a historical bias in the Indian education system towards Western knowledge systems.

Future Outlook and Opportunities

The future lies in creating a "Phygital" (Physical + Digital) model that bridges ancient wisdom with modern technology:

Hyper-Personalized AI: Using AI and ML to analyse traditional behaviour patterns, allowing banks to offer customized, culturally relevant financial products rather than generic ones.

Ethical Fintech: Developing Fintech apps that prioritize transparency and community trust, leveraging IKS to enhance customer engagement in rural and underserved areas.

Block chain for Transparency: Utilizing block chain to bring transparency, integrity, and security, aligning with the IKS principles of honesty and trust.

Sustainable & Inclusive Growth: Applying IKS-based, community-centric approaches to increase financial inclusion and foster sustainable, ethical business practices.

Cultural-Centric CRM: Developing, as seen in recent studies, a new framework that integrates indigenous knowledge with modern CRM to improve, for example, cross-selling success rates and customer loyalty.

By blending the two, the Indian banking sector aims to build a more resilient, trustworthy and inclusive financial ecosystem by 2047, as part of the *Viksit Bharat* initiative.

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