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Banking Transformation Through Information Technology in India

ABSTRACT

The main challenges ahead in the new millennium in banking and financial sector contain changing economic and banking environment, global competition, capital structure, transparency in reporting accounts, employee productivity, risk management, market discipline, sound human resource management, training and development etc.

1. INTRODUCTION

The changes after liberalization and globalization process instated since 1991, significant impact on the financial system particularly on the banking industry. The fast pace of changes have radically and perceptibly transformed the operational environment of the banking sector. The I.T. revolution is of entirely changing the way banking business is done and has considerably widened the range of products and increased the expected demand of the bank customers.

Restructuring of financial sector is a multi dimensional approach consisting of administrative restructuring, capital restructuring, corporate debt restructuring, human resource restructuring etc. Banking restructuring is a total reengineering of banks. It is an orchestrated changes i.e. changes in culture, strategy, vision, management style etc.

The present paper has national and international status. The findings of the paper may be helpful for the banking industry, particularly, it will be very helpful for our public sector banks. After making a comprehensive decision regarding the use of various IT delivery channels of various

products and services in banks, this discussion will become very useful for those banks, which are managing transformation through I.T. They can modify some services, delivery channels as per the requirements of the customers, it will further helpful to improve the CRM in banks, and it will be more useful for those banks, which have still not fully adopted IT in banks, particularly public sector banks.

2. MEANING OF BANK TRANSFORMATION

The term transformation in Indian Banking Industry relates to intermediately state, when the industry is passing from the earlier social banking era to the newly conceived technology based customer centric and competitive banking. The activities and banks have grown in multi-directional as well as in multi-dimensional manners. The current transformation process in Indian banking has many aspects. They pertain to:

- Capital Restructuring,
- Financial Re-engineering,
- Information Technology,
- Human Resource Development.

It is banking has used in four major ways:
o To handle a greatly expanded customer ways,

- o To reduce substantially to real cost of handling payments,
- o To liberate banks from the traditional constraints on time and place
- o To introduce new products and services.

3. THE COST ADVANTAGE OF E-DELIVERY CHANNELS IN INDIAN BANKS:

The latest wave in IT is internet banking. It is becoming more obvious that the Internet has unleashed a revolution that is affecting every sphere of life. Internet is an interconnection of computer communication

have few landing due to risk factor. The low productivity and profitability in public sector banks as compared to new private sector and foreign banks is due to:

- Heavy initial cost,
- Resistance to change by senior staff/unions,
- More interference by Govt.
- Inadequate infrastructure,
- Less innovative activities and new products/services.
- Increasing NPAs due to more priority sector lending with political interference.
- No Competitive strategy.
- No emphasis on public relations.

The cost Advantage of E-Delivery Channels in Indian Banks

1. Cost, if transaction is made through Branch.	Rs. 60 per Transaction
2. Cost, if transaction is made through ATM	Rs. 18 per Transaction
3. Cost, if transaction is made through internate	Rs. 5 per Transaction
4. ICICI Bank (ATMs) (125-1750)	2 Million - 8 Million
5. ABN Amro Bank 92% withdrawals through ATMs	

Source : RBI Reports, 2006

networks spanning the entire globe, crossing all geographical boundaries. The net is changing everything. From the way study conduct commerce, to the way, to distribute information. Being an interactive two-way medium, the net, through innumerable websites, enables participation by individual in B₂B and B₂C commerce, visits to shopping malls, books-stores, entertainment sides and so on cyber space.

4. PRODUCTIVITY AND ROFITABILITY AT BANK GROUP LEVEL

The public sector and old private sector banks have shown lower productivity as compared to NPSBs & Foreign Banks. Actually, they are flush with deposits but

5. POLICY IMPLICATIONS AND RECOMMENDATIONS

The study may suggest evolving strategy in the days to come to manage bank transformation with IT particularly in PSBs to improve productivity and profitability of the banks in the following ways:

- In the liberalized, globalized and highly competitive environment, Indian Banking Industry should manage each and every activity through cost effective IT. PSBs should speed up technology upgradation even in the semi-urban and rural sector branches.
- More awareness should be created regarding the IT in banks,
- More training should be given to the

staff in PSBs.

- For improving the share of banks, the low-cost deposited action plans should be prepared for those centers, where there is adequate potential for deposit mobilization.

- A strategic action plan should be initiated for reducing NPAs through IT.

- With increasing competition among banks, to meet customer expectations, banks should offer a broader range of deposits, investments and credit products through diverse distributional channels including ungrounded branches, ATMs, telephone and Internet.

- Indian bank should concentrate on asset quality and earnings,

- Bank should help their customers in formulating strategies for achieving global competitiveness,

- Autonomy in HRM areas such as deciding categorization of banks, vacancy placements should be given to banks,

- A constructive and serious measure should be initiated for:
 - o Better and cheaper access to basic infrastructure requirements such as power, telecommunications o i.e. VSAT, Leased lines etc.
 - o Creation of customer awareness and education for technology adoption are imperative,
 - o Setting up of e-banking group to provide grid principles for risk management of e-banking activities.

There are immense opportunities IBI to overcome these challenges. They can convert these challenges into opportunities with IT. Information Technology will be the important issue in ensuring survival of banks. It is not a matter of choice but compulsion. However, at the same time, technology has to be cost effective, customer driven and implemental. Time has come to make use of it for decision making and efficient payment mechanism.

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