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The Role of Information Technology in Banking System

^{*1} Dr. Lakshamma HR

^{*1} Associate Professor, Department of Commerce, GFGC, Harohalli, Ramanagara, Karnataka, India.

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Abstract

The advent of Information Technology to every aspect of human life and business has been so obvious that it does not need to be accentuated more. Information Technology has been of great essence in banking system. This study aims to investigate the effect of Information Technology in the banking system in public sector banks. The data are obtained both in primary and secondary method. The integration of Information Technology (IT) into various spheres of human life and business is indisputably evident. Particularly within the banking sector, IT has emerged as a pivotal force. This study endeavours to delve into the impact of Information Technology on public sector banks. Employing both primary and secondary research methodologies, data were meticulously gathered. The findings underscored the multifaceted contributions of Information Technology to the banking sector. Firstly, IT catalyses the development and progress of banking operations. Through the implementation of innovative technologies, banks can streamline processes, enhance efficiency, and offer a broader array of services to their clientele. From online banking platforms to automated transaction systems, IT innovations have revolutionized the way banking functions. Furthermore, the study illuminates how Information Technology fosters financial inclusion by extending banking services to previously underserved populations. Through initiatives such as mobile banking and digital payment platforms, IT facilitates greater accessibility to banking services, empowering individuals and businesses alike. In essence, the findings of this study underscore the transformative role of Information Technology in the banking sector. From enhancing operational efficiency to fostering financial inclusion, IT continues to shape the trajectory of banking institutions in the public sector. Embracing technological innovations is no longer a choice but a necessity for banks striving to thrive in the dynamic landscape of modern finance.

*Corresponding Author

Dr. Lakshamma HR

Associate Professor, Department of
Commerce, GFGC, Harohalli,
Ramanagara, Karnataka, India.

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Introduction

The Information Technology and Computerization in banking industry has made revolutionary changes worldwide. The third world countries are yet to pick up the tempo of adoption of these technologies. Hence, there are many issues that they confront at present to go for full automation and the sophisticated Information Technology adoption.

The main issues that identified are briefly stated as: marketing of financial services, manpower development through skill development and training, developmental financial programmes, re-orientation towards competition, diversification of banking functions, productivity and profitability criteria, quality customer service, single window

service and prospective planning, Regarding these issues there are many positive as well as negative impacts both on banking industry and customer. Hence there is a need to study the impact of changing technology on banking industry.

Objectives of the Study

1. To study the development and progress achieved due to the introduction of technology in banking and to examine further improvement because of technology transfer or upgradation.
2. To study and analyze changes in the policies and programmes of banking institution due to the introduction of IT in banking industry.

Research Methodology

The paper is based on secondary data, it has been collected from internet, newspapers, journals, magazines, official reports of the government

To Study The Development and Progress Achieved Due to the Introduction of Technology in Banking and to Examine Further Improvement Because of Technology Transfer or Upgradation.

- PSB's Branch expansion: 1999 -45,837 branches & 73,347 branches in 2010 and all branches were computerized.
- Banks realized the significance of introduction of computerization and the use of high technology in the progress and development of banks but initially more investment
- The emphasis of for different functions are upheld on account of.
- To face the increasing competition, modernization, to come up with the changing preference of customers, high technology requirement.

The Introduction of Technology has the Following Effects on Manpower

- a) There is a drastic reduction in the number of person employed in the banking industry.
- b) Even the existing number is downsized through VRS.
- c) The HRD in banking sector is undergoing a thorough change.
- d) Now the training and skill is not fully imparted to all bank personnel to suit the high- tech banking.
 - Technology transfer in banking sector has a break-through transformation in internal work, ledger, cash rolls, cheques etc., & impact is that work is completed with swiftness and at reduced costs.
 - Banks extended sophisticated services like the introduction of ATMs/remote terminals/Tele-banking, networking of branch etc.
 - The volume of business & number of account after introduction of technology has grown more than it was before.
 - Business that is handling manually reduces the quality of the work and technology is the only answer to solve the multi- dimensional problems.
 - Mobilization of resources and marketing the products with the support of technology only make effective and competitive to face both domestic and foreign banks.
 - E-commerce companies are tying up with banks to deliver innovative services.
 - Transition lies with them as the private sector banks and FBs are well equipped with the Information Technology in their Banking services and many PSBs are not acquired the same.
 - Bank should have banking products and services based on Internet for domestic and overseas customers.

To Examine and Analyze Changes in the Policies and Programmes of Banking Institution Due to the Introduction of IT in Banking Industry.

- Backup of files & copies to maintain records with less space are necessary. The strain and pain in orderly keeping all these varied and different records of account are reduced due to the use of new technology.
- Computerization has changed the working culture to more of mechanized operations of transactions, officers to spare more time for attending customers. Opportunities for enriched customer relationship building are focused & all banks have realized the need.
- Adequate security and transparency of data strength to the banks in pursuing for perspective programme
- There are considerable improvement in the use of IT supporting and reporting for both product delivery and inputs for fast decision support for banks.
- In an expanded scenario, the volume of banking business in the past decade had increased, thanks to Liberalization, Privatization and Globalization (LPG). The swiftness and transmission mechanism of banks have been effective by IT transfer in Banking Industry.
- Innovative opportunities are opened through automation and IT in supplementing the banks with broad services and high profits.
- Increased business risks, such as interest risk, market risk; credit risk, payment risk, etc., are stream lined to maintain larger profits and greater efficiency in Banking Industry with more use of Information Technology.
- The Corporate vision towards knowledge management, risk management, compromise, settlement, marketing strategy, technology management, etc., will decide the fate of the banks.
- Expansion of product deliver channels -The introduction of Kissan Credit Cards. The total KCC issued in 1998-1999 amounts to 6 lakh and the amount sanctioned is Rs.2084 crores, in 2009-2010. The cumulative progress during the above period is 20.416 lakh and 43392 crores.
- The range of services like free ATM cards, single window facility, extended banking hours, sweep out, sweep in facilities, instant fund transfer, automatic overdraft facilities, remote login for corporate, personalized cheque books, statement of A/C etc are to be extensively arranged through easy and fast outlets.

Policy Implications

- Computerization of all banks must be an irresistible order of the day and therefore it is suggested that an early and fully automation of all the banks.
- Modernization of banking industry is inevitable and IT plays a dominant role in this matter.
- In an age of perspective development paradigm sustainable development of banks are possible only thought the IT revolution in their specific areas.
- Adequate high-level technology is suggested to the banking industry to face the competitive challenge from within and outside.
- When compared to partial and full computerization, full computerization of the bank is suggested, as it enjoys several merits.

- The existing systems have to be re-engineered in order to reap the full benefits of the technology. Laws, which have existed for long, will have a fresh look.
- When technology helps in minimizing the manual work, it also has certain drawbacks. The complacent feeling that what computer does can never go wrong should be got rid of and a more systematic checks and rechecks have to be put in place.

Conclusion

When technology helps in minimizing the manual work, it also has certain drawbacks. The complacent feeling that what computer does can never go wrong should be got rid of and a more systematic checks and rechecks have to be put in place. In order to plan and monitor profitability function of any bank or financial institution, the management needs databases, depicting costing and pricing of services and products offered by it in different market segments on one hand and preferences of the customers.

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