

## INFORMATION TECHNOLOGY & SOCIAL NETWORK IN BANKS

**P.V. Prasanth,**

*Assistant Professor of Economics, Sahya Arts & Science College, Vellambaram, Wandoor, palamadam, (Ph.D Research Scholar, Department of Economics, KhadirMohideen College, Adirampattinam)*

**Dr.P.Ganapathy,**

*Guide & Supervisor, Associate Professor & Head, Department of Economics, \*KhadirMohideen College, Adirampattinam-614701(\*Affiliated to Bharathidasan University, Tiruchirappalli-620024)*

**Correspondence:** prasanthvellimuttam@gmail.com

### Abstract

One of the preconditions for economic development of developing countries like India is a well-developed banking system because it mobilizes financial resources for industrial growth from the savings of public. Customer car service has contributed the most to the growth of the industry in India. As a result there has been an explosive growth of call centers and contact centers. Now many companies are focusing on back office operations like payroll, claims etc. The requirement of major banking services is technological support in customer interaction services back office operations, legal database and web site services. These parameters are becoming mandatory for the success in these organizations. Technological developments would render flow of information and data faster leading to faster appraisal and decision-making. This would enable banks to make credit management more effective besides leading to an appreciable reduction in transaction cost. To reduce investment costs in technology, banks are likely to resort more and more on sharing facilities, such as ATM networks. Banks and financial institutions will join together to share facilities in areas of payment and settlement, back office processing, data warehousing and so on. The advent of new technologies could see the emergence of new players doing financial inter mediation. The conventional banking system may undergo changes due technological changes. The above-mentioned reasons are enabling the banking system to implement the required technological up gradation. The banking system should follow the ACE MODEL (Adoption, Collaboration and Evaluation). Our study justifies the requirement and implementation of this model.

**Keyword:** *Network, ACE, TQM, Globalization, Technology.*

### 1.1 Introduction

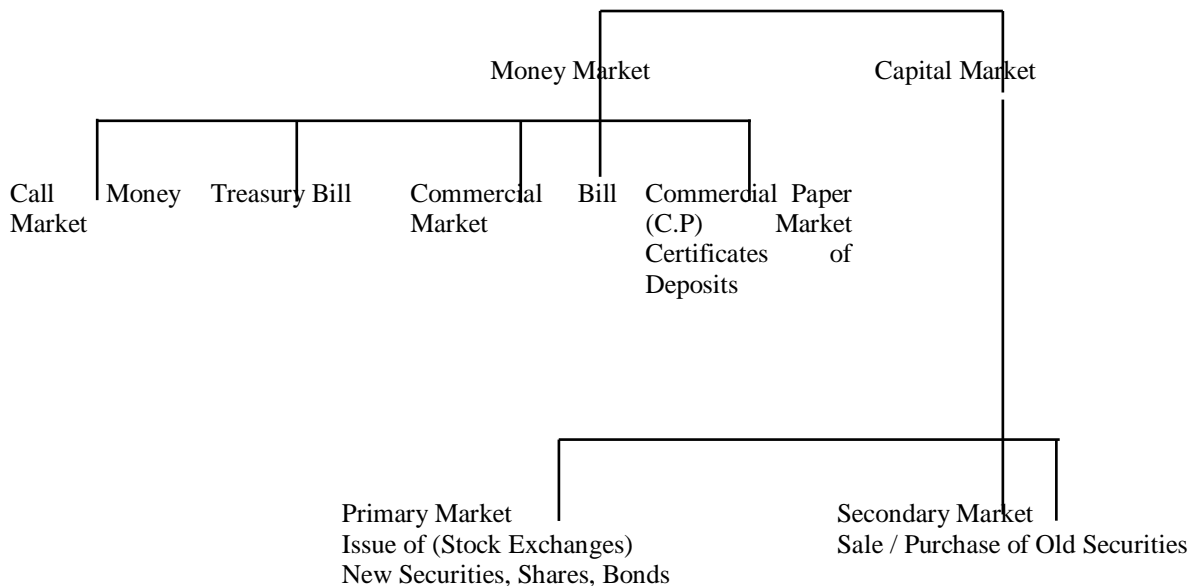
The economic reforms initiated a decade ago by the Indian government have influenced all the sectors of Indian economy. The ongoing development in Indian industry and government and integration of India with global market are also offering opportunities in all the sectors. Technological advances, a sense of acceleration, atomized market and economic shocks are affecting the business today and also the scenario shifted to micro segmentation, multiple competitors and short product life cycles. The banks are under an unprecedented pressure to perform and therefore this is the right time to repair the roof when the sun is shining, so some of the activities to be carried out to meet these changes are continuous R & D, responsiveness to change, and TQM and process improvement.

Service industries are known as tertiary industries. Transport, communication, banking, finance etc., are part of the tertiary sector. Over the past decade the service sector has expanded in the world. In advanced economies services sector is the key sector which contributes to about two thirds of total economy. Since the high average level of real income per head is always associated with a high proportion of working population engaged in tertiary the share of tertiary sector in macro variables, namely, GDP, employment and investment depicts the level of development of a country. Among these variables of tertiary sector the banking sector's contribution is relatively high in the economic development. During the 18<sup>th</sup> and 19<sup>th</sup> century the growth of commercial banks in EUROPE has led to industrial revolution. Rate of capital formulation is one of important determinants of economic development. Thus the presence of sound banking system would create healthy atmosphere for the promotion of savings and hence capital formulation.

India has an extensive banking network in both urban and rural areas. In the process of economic development of our country banking system in India has been playing a dominant role. If it is so, are our India Banks doing enough to respond to changing times? Under these circumstances what are the key traits required to be improved which would directly impact the organization growth? In Indian scenario it is mainly the MNC's

driven, by their global process that are directing the business. So these aspects should be taken into the consideration and implemented by the Indian banks.

**Financial Intermediaries In India**  
**Structure of Financial Markets**



Source: Banking and Financial Systems, Dr.A.V.Ranganadha

As a consequence of Liberalization, Privatization and Globalization (LPG) a large range of services, availability of funds and ownership patterns of services, availability of funds and ownership patterns of banks will be affected. Now these LPG factors have made the customer very powerful and their demand of wanting the goods to be delivered can be met in an innovative and cost effective manner by exploiting the prevailing technological advancements with increase in operating efficiency improvement high quality banking services. The aspiration levels, life systems, cultural change of Indian customers are changing hence, banking sector tune to the changes.

The customer requirements are endless in physical plane and his life. This has lead to the increasing requirements of customer viz., a bank account, credit card, finance for children education, home loan etc. The endless customer requirements have to be turned into good prospects by the banking system in India and this paper explores some strategies in this direction.

**1.2 Changes in India Banking Sector**

The Indian banking sector is facing some structural changes like alignment with global developments, sub optional in size and scale etc. Therefore high level sophistication in information systems and technology would be a prerequisite. The opportunities are immense to develop or improve efficiency like finding new ways to enter into new markets and business by delivering higher levels of customer service.

In the 1<sup>st</sup> generation of technological changes in Indian banking system the ability to adopt information technology was very effective in carrying out front office operations by providing customer’s demanding speed, efficiency and lower cost. In the 2<sup>nd</sup> generation, the concentration in using information technology was on connectivity between branches, back office function. MIS, fraud prevention, value addition etc. At present the concentration is on providing alternative channels of delivery like Tele banking, ATMs, internet banking which in turn will demand banks to adopt CRM strategies like data warehousing, data mining any time anywhere banking etc.,

The present Indian scenario is mainly revolving around the MNC’s which in turn are driven by their global process that is driving the business. An evolving business environment and technological innovations are reengineering the system together with long term changes in customer need and profile. Companies are working in an environment where they have to interact with numerous other participants in the market. With this increasingly competitive environment coupled with rapid technological advancement the corporate sector is confronted with the issue of achieving high growth rates with an inherent risk.

### 1.3 The major key areas to be concentrated for development

1. Innovation
2. Responsiveness to changes
3. Total quality management
4. Process improvement
5. Organization values

Even though the world class competition has challenged the very survival or existence of Indian companies, some organizations for example ICICI, HDFC, reliance, Wipro, DRL, Infosys, Hero Honda have been gearing up to face the competition. Innovation is one of the key factors of success. Many Indian companies are focusing on innovation through design or the R & D route. Responsiveness to change is another key area of success. The Organization in future especially in developing Indian should concentrate on special insights into the need of the customer. The strategies should be based on a customer value; improvement on quality commitment at all levels, continuous up gradation and innovation of products and process by depending on facts and feedbacks of the customer.

Indian banks should work towards having an enhanced retail delivery system, which should have transformed branches, telephone services and leading edge Internet banking functions. This can be enabled by an integrated Customer Relationship Management system. Further the banks also need to develop internal control systems, MIS and early warning triggers. The major trends alerting the banking industry are:

- Consolidation
- Globalization of operations
- Development of new technologies
- Universalization of banking
- The banking sector had already underwent so many changes during the past decade. It had witnessed
- Deregulation of lending and deposit rates
- Entry of new private sector banks
- Extensive use of technology
- Emergence of retail banking
- Stricter provisioning and asset classification norms
- Raising capital adequacy
- Increased transparency

Apart from the above changes the Indian banking sector should foresee many more change for facing global competition.

### 1.4 Challenges of Banking Sector

“Around the world the banking industry has undergone major transformation in the present decade”. Increased penetration, consolidation and international integration are the primary driving forces behind this transformation.

In India the process of banking sector reform began in July 1991. The global players entrance had brought introduction of new instruments, reduction in interest rates, relaxation of rules and regulations etc. Since Nov.1994 the RBI had undertaken supervision of the commercial banks, financial institutions and HDFCs. All these changes slowly showed upward profitability trend and also demanded continuous upgrading, monitoring and controlling of the issues like customer orientation, sophisticated product risk management, MIS, diversification etc., So the banks are upgrading their knowledge base to meet the sophisticated clients demands like well-informed reactive and responsive banks. So they are trying to differentiate among the factors like CRM, product differentiation, brand equity and technology.

### 1.5 With the above-mentioned changes, the challenges that the banks are facing area

- i) Changing needs of customer with special emphasis on
  - a. High expectation
  - b. Diminishing loyalty
- ii) Coping with regulatory reforms
- iii) Thinking speed
- iv) Maintaining high quality assets
- v) Keeping pace with technology up gradation

### 1.6 Key Areas to Be Considered For Business Excellence

1. CRM
2. Technological up gradation
3. Marketing strategies

Customer satisfaction is the success mantra of an organization. Special insights into customer needs should be practiced. For example, the Bank of Baroda, employees are visiting organization for fixed deposits and recurring deposits to be invested in their banks. This shows that resistance to change is slowly vanishing and customer is being identified as the king. Various examples and further this concept is evolving and getting digested in the minds of employs. New generation entrepreneur is coming with real change in the market with new option. A super market named BUY AND SAVE is offering reduction in price of every produce by reducing its profit margin and providing customer value, which is at present the best strategy. Major achievement of ICICI bank is money transfer without any transactional charges and in seconds the money gets transferred which is again a customer value strategy.

**In India we have two types of customer for banks. They are:**

Anchor channel customers: Multi channels customer, who demands continuous service provision without long wait, inconsistent information. So they prefer to use all channels.

- Phone banking
- Branch banking
- Internet banking

Phone banking usage means using call centres, interactive voice response etc. Wireless, browser, personal computer come under Internet banking. So multi channel customers will use all of these banking channels. The following are the customer's expectation which are growing vastly.

- Swift service with minimum response time
- Efficient service delivery
- Tailor made products
- Value added products
- Hassle free procedures
- Minimum transaction cost
- Pleasant and personalized service

**1.7 Conclusion**

In the post-liberalize era, Information Technology is an inevitable resource to be considered to ensure an effective and competitive environment, which is adaptive and collaborative to change. Hence, the technological advancement in banking sector can be made effective when a simple, flexible and modular approach is considered and implemented.

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