

# Computerization in Banking Sector with Banking Trends and Opportunity before Indian Banks

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**Abstract – India's fast rate of economic development over the previous decade has been one of the more critical advancements in the worldwide economy. This development has its foundations in the presentation of economic liberalization in the mid 1990s, which has enabled India to abuse its economic potential and raise the populace's way of life. Banks and financial institutions are assuming significant job in the economic improvement of the India and the majority of the credit-related plans of the administration to inspire the more unfortunate and the under-special sectors, which have been executed through the banking sector. IT assumes an essential job being developed of banking sector. Present investigation demonstrates the development and advancement of IT in banking sector additionally the job of various installment pointers like-ATMs, ECS, EFT/NEFT, Debit/Credit cards, MICR and so on from 2005 to 2010. The investigation centers around real trends and difficulties before the banking sector in India. Study demonstrates that, reception of new technology with drawing in human ability will become vital in future. The paper endeavors to exhibit the developing trends and its difficulties that as of late rose in the banking sector with extraordinary accentuation on digitization**

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## 1. INTRODUCTION

In the midst of this unrest India's Banking Industry has been among the few to look after strength. The beat of improvement for the Indian banking industry has been surprising over the previous decade. It is apparent from the higher pace of credit extension; growing benefit and efficiency like banks in created markets, lower occurrence of non-performing resources and spotlight on financial consideration have added to making Indian banking energetic and solid. Indian banks have started to change their development approach and reconsider the prospects close by to keep the economy rolling. India is one of the main 10 economies on the planet, where the banking sector can possibly develop. Banks are currently connecting with the majority with technology to encourage more prominent simplicity of correspondence, and exchanges are helped out through the Internet and cell phones.

The Indian currency market is characterized into the composed sector, involving private, open and foreign possessed business banks and agreeable banks, together known as planned banks, and the disorderly sector, which incorporates individual or family claimed indigenous investors or cash loan specialists and non-banking financial organizations. The chaotic sector and microcredit are as yet favored over traditional banks in rustic and sub-urban zones,

particularly for non-beneficial purposes, similar to functions and brief length advances.

Executive Indira Gandhi nationalized 14 banks in 1969, trailed by six others in 1980, and made it obligatory for banks to give 40% of their net credit to need sectors like agriculture, little scale industry, retail exchange, independent ventures, and so on to guarantee that the banks satisfy their social and formative objectives. From that point forward, the quantity of bank offices has expanded from 8,260 out of 1969 to 72,170 of every 2007 and the populace secured by a branch diminished from 63,800 to 15,000 amid a similar period. The absolute bank stores expanded from 5,910 crore in 1970– 71 to 3,830,922 crore in 2008– 09. Notwithstanding an expansion of country branches, from 1,860 or 22% of the all out number of branches in 1969 to 30,590 or 42% in 2007, just 32,270 out of 5,00,000 towns are secured by a planned bank.

India's gross residential sparing in 2006– 07 as a level of GDP remained at a high 32.7%. The greater part of individual reserve funds are put resources into physical resources, for example, land, houses, cows, and gold. The open sector banks hold over 75% of absolute resources of the banking business, with the private and foreign banks holding 18.2% and 6.5% separately. Since liberalization, the administration has endorsed

critical banking changes. While a portion of these identify with nationalized banks, such as empowering mergers, diminishing government impedance and expanding benefit and intensity, different changes have opened up the banking and protection sectors to private and foreign players.

## 2. ROLE OF BANKING SECTOR

Banking system and the Financial Institutions assume huge job in the economy. Above all else is through taking into account the need of credit for every one of the segments of society. The cutting edge economies on the planet have grown principally by making best utilization of the credit accessibility in their systems. A proficient banking system must take into account the necessities of top of the line speculators by making accessible high measures of capital for huge undertakings in the modern, framework and service sectors. In the meantime, the medium and little endeavors should likewise have credit accessible to them for new speculation and development of the current units. Provincial sector in a nation like India can become just if less expensive credit is accessible to the ranchers for their short and medium term needs.

Banks assume a critical job in present day economic system. Presently multi day's development of country should be possible through banking system. Coming up next are the whole of jobs played by banks. Banks spur individuals to make reserve funds.

- Banks mobilizes savings for the purpose of investment
- For the formation of capital banks play a coordination function between savings and investment.
- For the enlargement of production purpose banks provide credit facilities.
- Banks provides financial infrastructure and funds for backward region which made balanced regional development in the country. Banks plays a crucial role for expanding size of market.
- Through banks government fulfill every objective of planned economic development.

Credit accessibility for foundation sector is additionally critical. The accomplishment of any financial system can be comprehended by discovering the accessibility of dependable and satisfactory credit for foundation ventures. Luckily, amid the past around multi decade there has been expanded investment of the private sector in framework ventures.

The office of web banking empowers a buyer to get to and work his financial balance without really visiting the bank premises. The office of ATMs and the credit/platinum cards has reformed the decisions accessible with the customers. The banks additionally fill in as option doors for making installments by virtue of pay charge and online installment of different bills like the phone, power and expense. The bank customers can likewise put their assets in different stocks or shared subsidizes straight from their ledgers. In the current economy, where individuals have no opportunity to make these installments by remaining in line, the service given by the banks is estimable.

While the business banks take into account the banking needs of the general population in the urban communities and towns, there is another class of banks that takes care of the credit and banking needs of the general population living in the provincial zones, especially the ranchers. Local Rural Banks (RRBs) have been supported by numerous business banks in a few States. These banks, alongside the agreeable banks, deal with the rancher explicit necessities of credit and other banking offices.

## IT IN BANKING SECTOR

Section of computerized teller machines (ATMs) has changed the profile of front workplaces in bank offices. Customers never again need to visit branches for their everyday banking exchanges like money stores, withdrawals, check accumulation, balance enquiry and so forth. E-banking and Internet banking have opened new roads in "comfort banking". Web banking has additionally prompted decrease in exchange costs for banks to about a tenth of branch banking.

Technology arrangements would make stream of data a lot quicker, increasingly exact and empower snappier analysis of information got. This would settle on the basic leadership process quicker and increasingly effective. For the Banks, this would likewise empower advancement of evaluation and checking apparatuses which would make credit the executives substantially more successful. The outcome would be a distinct decrease in exchange costs, the advantages of which would be shared among banks and customers.

While utilization of technology would help banks diminish their working expenses over the long haul, the underlying ventures would be sizeable. IT spent by banking and financial services industry in USA is roughly 7% of the income as against around 1% by Indian Banks. With more noteworthy utilization of technology arrangements, we expect IT spending of Indian banking system to go up fundamentally.

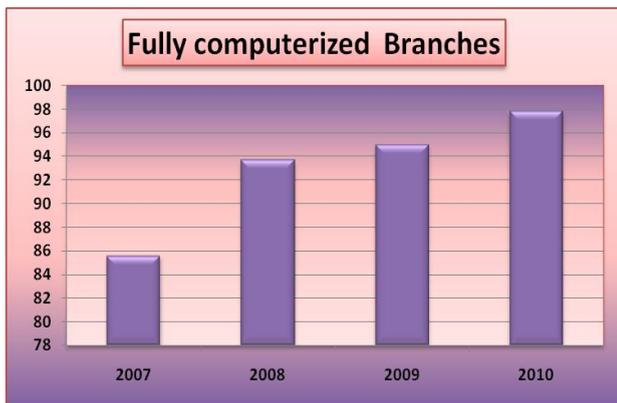
One region where the banking system can decrease the venture costs in technology applications is by sharing of offices. We are as of now observing banks meeting up to share ATM Networks. Also, in the coming years, we hope to see banks meeting up to share offices in the region of installment and settlement, back office handling, information warehousing, and so forth. While managing technology, banks should manage chaperon operational dangers Payment and Settlement system is the foundation of any financial market place. The present Payment and Settlement systems, for example, Structured Financial Messaging System (SFMS), Centralized Funds Management System (CFMS), Electronic Clearing Systems (ECS), Centralized Funds Transfer System (CFTS) and Real Time Gross Settlement System (RTGS) will experience further adjusting to satisfy global guidelines. Unnecessary to include, essential security checks and controls should be in place. In such manner, Institutions, for example, IDRBT will have a more prominent task to carry out.

**2. COMPUTERIZATION IN BANKING SECTOR**

Technology has charged the substance of the Indian banking sector through calculation while new private sector banks and foreign banks have an edge in such manner, of the all out number of open sector bank offices, 97.8 percent are completely mechanized at end – March 2010. Though all parts of SBI are completely automated.

**Table 1 Computerization in Public Sector Banks**

Category	2007	2008	2009	2010
Fully computerized Branches	85.6	93.7	95.0	97.8



**Figure 1 Computerization in Public Sector Banks**

**Table 2 Developments in Payment and Settlement Systems Value (Rupees Crore)**

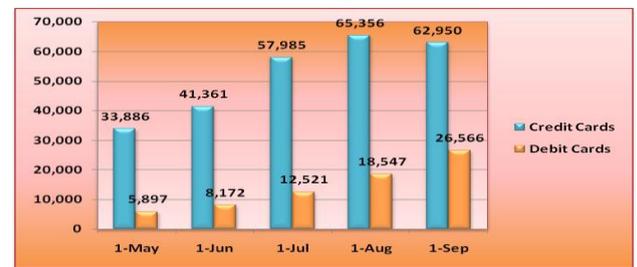
Item	2005-06	2006-07	2007-08	2008-09
1. RTGS	1,15,40,836	1,84,81,155	2,73,18,330	3,22,79,881
2. MICR Cleaning	44,92,943	54,01,429	60,28,672	58,49,642
3. Retail Electronic Cleaning	1,06,598	1,86,160	9,71,485	4,16,419
4. Cards (Debit / Credit)	39,783	49,533		
5. ECS Credit	32,324	83,277		
6. ECS Debit	12,986	25,441		
7. EFT / NEFT	61,288	77,446		

**3. DEBIT/ CREDIT PAYMENTS**

The use of card based payment rose by 22.3 percent in volume and by 19.0 percent in value during in year 2008 – 2009

**Table 3 Card Based Payment Transaction Value (Rupees Crores)**

Item	05-06	06-07	07-08	08-09	09-10
Credit Cards	33,886	41,361	57,985	65,356	62,950
Debit Cards	5,897	8,172	12,521	18,547	26,566



**Figure 2 Growth of Usage in Debit and Credit Cards**

Major innovative advancement, which has reformed the conveyance divert in banking sector, has been the Automated Teller Machine (ATMs). ATMs Particularly off – site ATMs go about as substitutes for bank offices in offering a methods for whenever money with pull back to customers. Development in ATMs which has been for the most part on an examination pleasant in the year's was seen to be 37.8 percent in 2009-10

**Table 4 Number of ATMS of Scheduled Commercial Banks**

Banks	On Site ATMs	Off – Site ATMs	Total ATMs 2010	2005-2006	2006-2007	2007-2008	2008 -2009
1.Public Sector banks							
1.1 National banks	12,655	7,047	19,702	7,165	9,888	13,355	15,938
1.2SBI group	11,142	9,836	20,978	5,443	6,441	8,433	11,339
2.Private sector banks							
2.1 Old Private sector banks	2,266	1,124	3,390	1,547	1,607	2,100	2,674
2.2 New Private sector banks	6,337	8,720	15,057	6,112	8,192	9,867	12,646
3. Foreign banks	279	747	1,026	880	960	1,034	1,054
Total	32,679	27,474	60,153	21,147	27,088	34,789	42,597

#### 4. MAJOR TRENDS BEFORE INDIAN BANKS

The major trends are:

- Electronic-cheques
- Real time gross settlement
- Electronic fund transfer
- Demat account
- Point of sale (POS)
- Bio- metric authentication
- Electronic Clearing Service (ECS)
- Financial technology firms
- “The Next Billion” consumer segment
- Mobile banking
- CRM and data warehousing
- Automatic Teller Machine (ATM)
- Importance of the Small and Medium Entrepreneurs (SME)
- Investment banking will grow, driven by demand from corporate for transaction support and capital market access.
- Tele Banking
- E-banking.

#### 5. CHALLENGES FOR BANKING SECTOR BEFORE INDIAN BANKS

Banks ability to deliver product depends on stream–lining HR. The HR challenge facing the public sector has reached a tipping point. The initiatives are:

- High Transaction Cost
- IT Revolution
- Timely Technological up gradation
- Intense Competition
- Privacy and safety
- Global Banking
- Financial Inclusion
- Risk Management System
- HR Management
- Standardization and capacity build-up
- Partnerships with non-banks
- Growth of Banking
- Employees Retention
- Social and Ethical Aspects
- Rural Market
- Enhancing Corporate Governance

#### Emerging Challenges for 2015-16:

- √ Deceleration in economic growth impacting expansion of banking sector
- √ Maintaining asset quality in the face of growing non-performing assets and restructuring of advances
- √ Augmenting capital and maintaining prudential capital
- √ Preserving and augment profitability in a stressed environment
- √ Implementing financial inclusion & Direct Benefits Transfer
- √ Increased competition from both within the banking sector with various banks becoming aggressive

- √ Adopting and adapting to technological changes/innovation to meet regulatory norms and tap alternative channels
- √ Improving quality of human resources for working efficiently under the latest technological developments
- √ Capital mobilization
- √ Implementation of Basel

## 6. CONCLUSION

Banks play a noteworthy role in economic advancement. An up degree of technology banks are assuming imperative job in economic advancement. Banking sector in India is coming about with expanded development in customers. By giving imaginative offices of banks the progressions made by banks are for the most part centered on financial consideration for venture into country zones and bringing security by boosting credit development making banking services close to the client legitimately and decreasing client significant time. By embracing new technology and re-designing procedures in banking sector it is very conceivable to accomplish dreams of banks. New advances like ATM, Internet, Mobile banking, Data Warehousing with the board procedures like Customer Relationship Management (CRM), Human Resource Management (HRM), Management Information System (MIS), Decision Support Systems (DSS) and e-Marketing and so forth will upgrade the working of banking. Indian banks face the test of sustenance with the expanded competition and need to create proactive systems with spotlight on item advancement, reeling sheet exercises to build their salary from non-center action, effectiveness in service conveyance process, successful hazard the executives and so on and all the more significantly on consumer loyalty. It is apparent that post liberalization time has spread new shades of development in India, however all the while it has additionally represented a few difficulties. This paper examines the different difficulties and openings. Banks are endeavoring to battle the competition. The competition from worldwide banks and mechanical development has constrained the banks to reconsider their arrangements and techniques. Distinctive items given by foreign banks to Indian customers have constrained the Indian banks to differentiate and update themselves in order to contend and get by in the market.

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