

CONTEMPORARY TRENDS AND THE IMPACT OF TECHNOLOGY ON THE FINANCIAL SECTOR

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ABSTRACT

The financial sector stands at crossroads today wherein it has to effectively balance the customer needs with its operational leverage through appropriate use of technology. It has to create a synergy between use of its available skilled manpower and customer satisfaction with the help of changing technology. By focusing on the needs and wants of the customers like addressing their concerns on accuracy, confidentiality, and cyber security the banks have gained a competitive advantage over other sectors in the economy. The contemporary trends in the banking sector like increase in automation, designated customer grievance handling department, easy and instant fund transfers are some of the significant operations performed by the banks. The skills of the banking personnel should also be upgraded regularly which will increase their confidence and efficiency in doing operations, which will lead to greater customer satisfaction.

Key Words: Contemporary, Expectations, Cooperative

INTRODUCTION

"While change was always a part of organisational life, it is happening increasingly rapidly now. If we do not manage it well, it will manage us."

The above maxim holds true for the contemporary organizations, but it affects the banking industry greatly, as the technological advancements have a far reaching influence on the financial sector in particular. Technological advancements have greatly impacted the banking, sector as these have had far reaching consequences on their daily operations. The use of technology in banks has mitigated their losses which used to be incurred by them in the

earlier traditional system of banking. The technology usage has ushered in a new era of checks and balances which can be instantly applied to all accounts.

Customers both individual as well as corporate are aware of the potential uses of the exponential developments taking place in this industry. Accordingly, they have their own perception of services which they could get from banks and which would help them to "survive" and grow in a highly dynamic and competitive environment. The Darwinian doctrine of animal species "Survival of the Fittest" is equally applicable to banks and thus they are forced to adopt technology for improving their customer service,

which is sine qua non for their own survival and growth.

While banks have been vying with each other to attract and retain customers by propagating and providing "Anytime-Anywhere Banking", the customers now want "Anyhow Banking" the "how" part being left to the banks. More often than not, the answer to how is provided with the help of technology.

CUSTOMER EXPECTATIONS

There are primarily two types of customers in the banks whose expectations have to be met by them. They are both individual and corporate customers who have to be productively engaged by the banks.

A customers' perception about the services rendered by banks to customers are based on various factors. The parameters that a customer generally considers to do business with a bank are mainly:

- Any time/Any where Banking, to take care of busy schedules and mobility
- Easy and Stress free banking, through smart cards
- Interface for enquiries, advice and instructions
- Options for various financial products to suit varying needs
- Accuracy, Speed, Timeliness, for meeting emergencies and facilitating right decisions at the right time
- Information Security and Confidentiality

The bank's response to the ever growing expectations has resulted in providing the following telebanking (either through phone or through personal computer or through applications) services:

- Account information/Loan information
- Account opening
- Relationship access/information-about total business dealings with a bank
- Funds Transfer

- Bank's Cheques/Drafts on Demand
- Standing Instructions/Bills Payments
- Loan Application
- Financial decision support systems, evaluating impact of various options
- Use of electronic mail for routine correspondence or/and soliciting solutions to the problems faced
- Product/ Service Information

INTERNET BANKING AND VIRTUAL KIOSK

Kiosk is an equipment like a personal computer with video screen and buttons through which a customer can connect to the computer system of the bank and avail of banking services as also seek relevant information. For this reason, Kiosk is also known as Public Personal Computer.

Due to intense competition for acquiring and retaining valued customers, banks are in the process of providing sophisticated and convenient services at lower costs. As per the study conducted by Booz Allen Hamilton, the well-known international consultants have inferred that the cost of an average transaction carried out through various channels is as follows:

At normal branch	\$1.07
Telephone banking	\$0.54
PC banking	\$0.15
Internet banking	\$ 0.10 or less

In the recent past, there has been a spurt in the number of sites hosted by various banks. In India, all the banks have gone online for dissemination of information about the activities and financial products available for the customers through applications and websites. Bank have started offering internet banking facilities to their customers, and thereby attracting many customers.

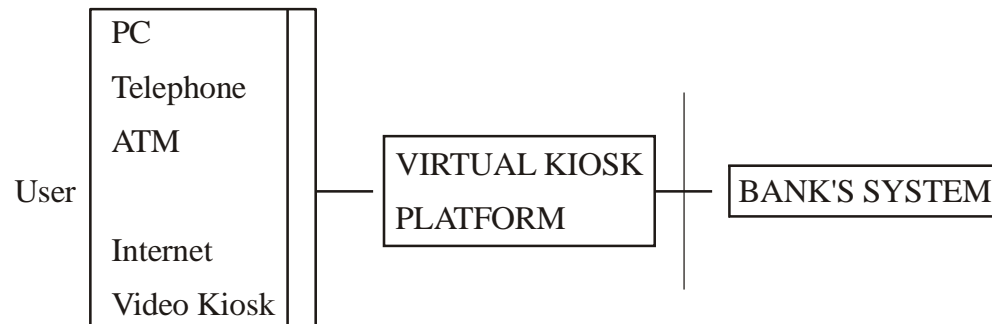
However, one question facing banks throughout the world is how to ensure that the

customer gets updated financial information. This is a pertinent question which has to be addressed by them, therefore it is the use of latest technology which has come to the rescue of the banks. They have upgraded their technology in various ways to meet the expectations of the customer. The banks have tried to match the global standards to deliver

better and efficient services to their esteemed customers.

The concept of 'virtual kiosk' makes this feasible. This concept calls for an integration of different service channels as shown in the following diagram:

THE CONCEPT OF VIRTUAL KIOSK



Integration of Various Service Channel Connections to the Bank's System

Any communication channel like the PC or Internet or phone, will be connected through the same interface with different device drivers to the virtual kiosk platform. This platform will communicate with the bank's system and let the customer seamlessly access the bank's services from any of these devices.

Now, the customer is not constrained by time, place or device for his banking needs. He can access his accounts, initiate a funds transfer, or pay his bills through any available remote device. The virtual kiosk ensures that each transaction, irrespective of the device, is synchronised. The customer thus gets his/her updated financial status, which would not be possible without the virtual kiosk.

Banks can thus provide true convenience banking, Any time-Anywhere-Anyhow, to their customers. The virtual kiosk will also allow banks to offer their products over multiple channels, thereby increasing their market reach and customer base. Incidentally, CITI bank has designed and provided its own version of kiosk called Customer Access Self-Service Terminal (CASST) at its branches and ATM

centers, and refers to it as "Touch Access Banking" for customers. This phenomenon incidentally, also reinforces the concept of virtual banking.

COOPERATIVE BANKING

The cost of providing the above services is quite high and may be feasible for a bank only when the number of customers who utilise this service becomes very large. However, in India, the number of customers who avail such services is still not large. Further, even though a bank can afford to provide these services to its customers, it may be advisable for the bank to join other banks in setting up technology based channels for providing customer service on the considerations of cost as also customer convenience. For example, if a bank is providing ATM services to its customers, it may not be feasible for it to provide a number of ATMs at strategic locations in metro cities. That is how the concept of Shared Payment Network System (of ATMs), has become operational in Mumbai like other places in developed countries. While each bank has to set up only a limited number of ATMs,

the customer gets the benefit of availing the service from any bank's ATM convenient to him. This is what is known as Cooperative Banking.

The following are the areas for Cooperative Banking:

- Clearing House
- Shared ATM Network
- Shared Telecom Network
- Shared POS Network
- Shared Cards Deployment and Clearing House
- Electronic Clearing Services (Funds Transfer)

PRE-REQUISITES

While the banks can drive significant benefits from technology based banking services by setting up adequate infrastructure, either on individual or cooperative basis as they have sufficient funds to invest for reaping and deriving adequate returns on the investment, the most important factor in many banks in India is the attitude of the personnel at various levels.

Technology education is sine qua non to bring about a favourable change in the climate and culture of an organisation and in the attitudes of the personnel at all levels for a smooth implementation of the technology plan. In this context, the statement of the top executive of an organisation could be cited. He remarked that his organisation could not get adequate return on the investments made in technology because the invisible forces against technology in his organisation were much stronger than the visible forces in favour of it. This bold confession should lead to a good amount of thinking and debate as to how to involve the operating personnel while chalking out the technology plan. In banks, it is more relevant to talk about banking technology instead of information technology/computers etc. The concept of banking technology gives more importance to banking followed by importance to technology. First of all, the banking staff will have to be educated about the basic aspects of technology and its utility in

conducting various operations seamlessly. Then they will be able to comprehend the possible uses of technology in their field of operations. In reality, it is only through effective education among the functionaries at all levels that it would be possible to integrate business strategy and technology plan. In fact, the banks would have to first evolve technology driven growth strategies for business and then draw a technology plan accordingly. Unless the operational executives are involved in evolving the technology plan, which would help them to achieve their objectives in a better manner, it will be a mute question whether technology plan, however laudable it may be, will succeed at all.

One of the strategies for imparting the requisite knowledge and developing a favourable attitude is, to set up simulated learning environment wherein the staff could have hands on experience of the various banking technology applications mentioned earlier. As regards the requisite technical expertise, banks will have to evolve an appropriate strategy for developing it from within as also to acquiring from outside and retaining the same. However, the technical staff must also be trained in communication, inter-personal and marketing (of ideas) skills, team building and leadership qualities for, improving their effectiveness.

In conclusion, we observe that all the operational systems in the banks have to work in synergy, to satisfy the expectations of the customer. Thus, by inducting technology in their day to day operations the banks get a competitive edge in the market and are able to deliver their services to the customer expeditiously. By focusing on the needs and wants of the customers like addressing their concerns on accuracy, speed, dissemination of information, confidentiality, account opening from home and cyber security the banks have gained a competitive advantage over other sectors in the economy. The contemporary trends in the banking sector like increase in automation, setting up virtual kiosks, designated customer grievance handling department, financial decision support systems, easy and instant fund transfers and assistance in account opening are some of the significant operations

performed by the banks. The skills of the banking personnel should also be updated regularly which will increase their confidence and efficiency in doing operations, which will lead to greater customer satisfaction. In addition to this, the concept of cooperative banking amongst the different banks in the banking system has a major role to play in the progress and development of all the sectors in the economy.

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