

INTERNET A FACILITATOR TO THE FINANCIAL SECTOR

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ABSTRACT

As the world has progressed, technological advances have given an edge to the various sectors of the economy to reap its benefits. The entire industrial sector and specifically the financial sector have embraced technology to leverage it to sell their products and services. The banks have used technology to provide efficient, affordable and timely services to the customer thereby enhancing their customer satisfaction. The use of technology in day to day functions of the banks have made them competitive to other sectors in the economy thereby reducing cost of operations, providing convenience, information and optimization of funds through better management techniques.

Keywords: Financial, Internet, Management etc.

INTRODUCTION

The Internet is a system of networks connecting computers the world over. All of these computer networks, thousands of servers, millions of clients communicate through a common language based on protocols. In the computer world, a protocol is an agreed-upon set of rules or standards that governs proceedings in specific situations. There are two protocols essentially required for all Internet communications : Transmission Control Protocol (TCP) and the Internet Protocol (IP) commonly known as IP address.

The internet is an ideal example of an open system, through this any computer can communicate with any other computer on the internet. The mechanisms required for internet communications have evolved from standards-based system to networking systems.

Thus the Internet is:

- Where computers form a global network.

- The world's largest open system.
- An agreed upon set of protocols that allow different systems to talk to each other in the same language.
- A collaborative work environment capable of spanning great distances.
- An emerging platform of mass media capable of delivering personalized and individually aimed messages.

On the internet, a computer can communicate with any other computer anywhere in the world. That old question of compatibility, between two computers for establishing communication is no more relevant. The internet is a far-reaching network of computers more precisely, a network of networks operated by private and public entities around the world. It is estimated that there are more than a trillion users of the internet.

The first "Internet", known as ARPANET, was developed by the US Department of Defense in

the late 1960s. Until recently, most Internet traffic connected Government agencies, universities, research groups, and a few corporate R&D entities. Beginning in the mid-1980s, new tools and means for accessing the internet became available, and since then its usage has increased exponentially.

The Internet is a platform for client/server relationships. A client is a software application, usually running on a PC or a UNIX workstation, which enables to access, view and work with data provided by a server. A server is a computer and its software administers information for clients. Servers can store, retrieve, process and deliver data serving or handling requests from clients.

THE WORLD WIDE WEB

The leverage with internet is that it uses a new technology that brings worldwide internet resources together into an environment where information is seamless and can be easily found and retrieved. The World Wide Web originated at the European Laboratory for Particle Physics. Its original purpose was to allow physicists around the world to share information about their research.

The most revolutionary feature about the web was hypertext. Hypertext links information in a document to related information by address codes operating behind the scenes. A user can simply click on highlighted text to call up more details of a topic or jump to a related topic within one document or between documents. And "between documents" means anywhere on the world wide web. One can create a link from one's own hard disk to another document located on a computer anywhere in the world, and jump from the one to the other instantaneously.

To work with a web document, user runs client software called a browser. Recent advances in technology, depends on browsers which have created a highly interactive environment that supports formatted text graphics, and audiovisual content creation. Overnight, international technology has gone from hypertext to dynamic

hypertext.

Today anybody can sit down at a computer, click the mouse, and open on hundreds of specific subjects. It does not matter whether the document is stored on a server in New York or Mumbai, as long as it is coded for transfer with HTTP. It is exactly this ease and extensibility that have spurred the exponential acceptability of the internet and the World Wide Web.

The internet is being used for carrying out:

- Extensive research and Information gathering
- Ease of doing business
- Connecting people and assisting in personal communication
- Entertainment and Social Interaction

BANKING THROUGH INTERNET

The Internet is poised to emerge as the preferred channel through which customers both individual as well as corporate - would do electronic business with banks.

The first Internet Bank was set up in Atlanta, USA, where the Olympic Games were organised in 1996. The first commercial bank to provide Internet banking service was well Fargo bank in California, USA.

Through the Internet, a customer can have constant access to his accounts, and perform almost any kind of transaction with the bank. With the availability of a stable internet connection and a browser there has been a manifold rise in the ease of carrying out transactions.

The benefits of Internet banking to individual customers are as follows:

(i) Cost Optimisation

The unit cost of transaction per customer is reduced substantially due to digitalization of the whole process.

(ii) Ease of Operations

The use of internet leads to the concept of anytime and anywhere banking which increases its reach due to the convenience it accords to the customers in performing their transactions.

(iii) Expediting transactions

All the financial activities a customer wants to perform in his account can be expedited and get an instant response from the bank. The customer can actually affect a fund transfer instantly on the click of a button.

(iv) Management of Finances

Effective management of finances is possible wherein the customer can get their statement of account instantaneously. They can also get an advise on the best possible investments which provide a good rate of return.

Similarly, corporate customers could derive the following benefits:

(i) Reduced Cost

The cost of transacting with the banks in terms of prevalent rates of interest, of availability of loans and usage of the various financial products to enhance their profitability and reduction in borrowing costs.

(ii) Ease of Information Access

The firms will have access to required information at their fingertips as there will be no wastage of time in this aspect. The corporate can view their accounts and get regular updates on their multiple accounts.

(iii) Improved Financial Management

As all the information regarding their accounts are updated regularly it becomes easy for them to transfer funds from account to another for conducting their daily cash flows. Apart from providing fund transfer services the corporate can also earn interest on their deposits with the banks. The banks can also leverage the services of the banks for optimum financial management and make timely decisions thereupon. In view of the above capabilities and benefits, it is expected that the

interactive and informative use of banking web sites, will grow considerably over a period of time.

In India, the pioneer in providing internet banking services is ICICI Bank. As a first step towards this, it set up a web site, which was used as a medium for marketing of all the financial products proposed and introduced by the bank. The website has promoted all its financial products along with the services rendered by it to the customers.

The entire project of providing Internet banking was envisaged to be completed in three phases. The first phase involved providing a demo version of the product on the web site. The second phase contemplates offering account information and related services to the customers. A customer could view and download, statement of account and transaction data. He could choose to view a snapshot of transactions or drill down to the minutest details. The bank also facilitates the tracking of a transaction through its networking facility. The customer could exchange messages with his account manager and forward requests for issue of cheques and stop payment orders instantly. The 'financial modeling' option provides a 'what-if analysis of deposits and loans. One can get interesting information on areas like finance and forex rates by taking advantage of the customised information option.

Phase three is to provide for fund transfers between the accounts of the customers and additional services like intimating the loss of ATM card and request for demand drafts. The enhancements planned for future versions is to introduce regular updates which would be of special interest to corporate, such as issue of letters of credit, enquiries of bills sent for collection and related aspects of financial management. Adequate and inbuilt security features and a robust security architecture like firewalls, will ensure protection from unauthorised access through the internet.

Thus, we can conclude that, the leverage provided by using web enabled technology in performing financial transactions through the banks, has brought about a cascading effect in all sectors of

the economy. The use of technology has enabled all the sectors to grow exponentially and reap benefits hitherto unavailable to them. This has reduced the cost of transactions for the banks per customer, led to customer satisfaction and improved customer acquisition thereby increasing profitability. The growth in the financial sector has led to a domino effect in other sectors too, like exports, farming, manufacturing and services sector.

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