

Information Technology: Growth of Indian Banking and Financial Market

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ABSTRACT

The evolution of Information technology plays an unprecedented role in growth and development of Indian banking and financial markets. Indian market unpredictably changes at a rapid pace and to cope up with these changes IT significantly helps in attaining competitive advantages by introducing new financial products. IT facilitates the customer to have a standard knowledge and avail the best products at best prices through proper comparison. A good number of schemes are launched by Indian banks on regular basis that makes it impossible to reach every customer, thus it is technology that makes it to reach within a second at an affordable price. The present paper is an attempt to have descriptive knowledge of evolution of IT and to determine as to how working of information technology and financial markets go hand in hand. It highlights the revolutionary, changes brought in by IT to banking industry.

Keywords : Information technology, banking, finance, revolutionary changes.

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Introduction

Information technology has paved a way for growth in Indian banking industry and financial market through various reforms. No doubt the recent development in technology has tremendously assisted in banking activities for easy access of services at minimum cost and time. Banks are now following Core banking system for easy remittance of information at different branches. Even the small and microfinance institutions are able to perform well due to technological innovation through maintenance of various sets of data. Graphic user interface enables an easy transfer of funds to different account at different branches and through point of sale devices. The other facility like installation of ATM at distant places facilitates banking customers to withdraw cash at any time with no time loss. According to report of RBI, technological innovation has brought improvement in growth of

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an economy through financial inclusion. However there are certain limitations attached to every technological innovation like cybercrime and hijacking. Indian financial market and banking system has undergone a tremendous improvement in past few decades. In the present days a number of applications have been promoted by government of India ensuring security features for easy transfer of money from one account to another at no charges. In the past year a significant step has been taken by government be it in the form of AM enabled system, demonetization, KYC, Jan Dhan Yojna all are leading towards digitalization. Banks have also adopted Applications Programming Interface to

gain competitive advantage in the long run that will open a market for new entrants in financial sector. Another milestone in the reformation of banking sector is authentication of customer identity through biometrics using fingerprints. Some of the banks have reported that more than 50% of the transactions are conducted through technologies. Banks now on regular basis organize camps for campaigning financial literacy awareness among villagers and to promote thrift savings among them. Now when everything is digitalized tracking of fraudulent and fake transaction has become easy with the link of PAN with Adhar.

Literature Review

(Fatemeh and Faghani, 2013) in their research paper said for any to be developed and grow it is mandatory for nation to develop intellect and cultural dimensions. If Information technology is properly managed and well utilized it may lead to beneficial impact on economy. Today in the era of computerizations, all the transactions mandatorily should be computerized for proper records. Organizations should appoint expert to take advices on necessary issues and for growth and development. IT system should specifically be developed in capital market to make work easier and faster and achieve set of goals.

(Dawodu and Osondu, 2014) identifies the role of information technology in capital market with special reference to equity. Technology has reduced the cost of transaction and increased the efficiency. Using the time series for period of 10 years, ANOVA, t-test it has been observed and concluded that statistically telecommunication industry and the growth of capital markets are not related however internet and cloud computing determines positive correlation with the growth of capital market so as to ensure fair transactions regulatory authority should promote IT in capital

markets.

(Mudasir and Firdoos, 2015) in their research study recommends that it's a high time to adopt information technology proper maintenance of accounts. ICT enhances the efficiency and performance of the organizations through cost cutting. Banks are adopting core banking as a solution for customer relationships management. Technological innovation has broadened the scope of banking business and introduction of various new banking products.

(Seems Malik, 2014) emphasized the role of information technology as to how it has changed the phase of banking in India. An IT innovations like DEFT, ATM, RTGS, Debit Cards, Credit cards, insurance has added value to customers. Technological advancements help in maintaining diversified needs of the customers across the world and gain competitive advantages. A notable point in her research paper is that technological use should be done with due care so that personal contacts with the customer is not lost. Banks therefore needs to adopt holistic approach to identify needs and demands of the customers.

Hi- Need of the Study

As we are aware of the fact that during the last few years, government of India has introduced various regulations on transactions exceeding the certain limit and made it mandatory to link every account with PAN and ADHAR. In the meanwhile banks have introduced various applications for easy transactions. To study the role and importance of information technology in banking and financial market is the need of the hour and it cannot be neglected. This study analyses the innovations of information technology in banking sector.

Objectives of the Study

To enumerate the different innovation of IT in banking sector reforms.

To determine the role of Information technology in growth of financial markets.

Data Collection

The present study is purely based on secondary sources of information. Information has been collected from different websites, journals, research paper, thesis. Reserve bank of India report on IT and other sources.

Innovations of it in Banking Sector

Automated Teller Machine

Automated Teller Machine is a device that facilitates customers of the any bank to withdraw money at any place and time from a market. A big machines are installed at public places so that customer can withdraw money. Nowadays payment system is also installed in such machine so that customers can deposit money easily as their savings. For availing this facility customers are issued a debit card either in VISA or RUPAY from their respective banks with a PIN having an expiry date. Some other facilities offered by these ATM machines is performance of Utility functions like payments of bills and taxes, printing of PASS book, balance enquiry, cheque processing, transfer of balances from one account to another.

Table -1: As at the end March -2017 branches and atm of Scheduled Commercial Banks are

Name of the bank	Branches				ATM's			
	Rural	Semi- Urban	Urban	Metropolitan	Total	On- site	Off- Site	Total
Public Sector Banks	29.033	25,647	17.890	18,875	91,445	86.545	62,010	1,48,555
Nationalised Banks	21.214	18,491	13,460	14,269	67,434	56,960	32,332	89,292
State Bank Group	7,819	7,156	4.430	4.606	24.011	29.585	29,678	59,263
Private Sector Banks	4.822	7,803	5,158	6.878	24.661	23.045	35,788	58,833

Source- Report on Trend and Progress of Banking in India 2016-17

Mobile Applications

In the present day scenario of globalization, an umbrella organization National Payment Corporation of India has set milestones for retail payment system in India. Today India is leading in the real time payment system through Unified Payment System. UPI is based upon NPCI Immediate payment system for 24-7 hour facilities. The other money transfer application is BHIM. TEZ, USSD. PAYTM, Google Pay. The objective of promoting various applications from

time to time is money transfer and to promote digital India and financial inclusion. The money transfer through these applications is easily traceable. The features offered by this application is sending and receiving of money, balance enquiry, payment of bills. Money transfer. Apps like PAYPAL work through email and mobile phone number. IT has brought revolutionary changes through the introduction of various applications as transaction through these has become convenient and economic.

Table 2: Payment and Settlement System

SYSTEM	Value (In million) 2018		
	April	May	June
RIGS	120/58.20	132,353.84	142,541.58
CCIL Operated Systems	88,118.72	94,214.93	92,619.44
Mobile Banking	L348.39	1,774.47	1,894.66
Retail Electronic Clearing	18,588.66	19,214.69	21,262 17
Cards	3,554.28	3,589.60	3,622.56
Prepaid Payment Instruments (PPIs)	133.80	155.21	163.46

Source-RBI Bulletin August 2018

Biometric

Banks now have installed biometric security for both new customers as well as for existing employees for regular attendance. Recently all the banks have made biometric verification mandatory for new customer. Traditional method of verification to identify customer manually has continuously lead to fraudulent due to highly innovated technologies. Biometrics works on the principle of asymmetric features of individuals that no same feature is found in two people.

Debit and Credit Card

Debit card is the plastic card issued by bank specifically for the ATM or to make instant

payment through gateways and swipe machine. It contains a 16 digit card number expiry date with CVV. The biggest advantage of holding debit card is that individuals do not need to hold cash while travelling at distant places. Debit card is also used for Internet purchases of items using one time password. However certain risks are attached to it NN ilk making internet payment often security codes are stolen from some fraudulent sites while credit card follows the principle of buy and then pay. Credit card is issued by bank on the ground that cardholder will for the amount of his expenditure he has spent together with interest charges The only difference between the two is that former works on the principle pay and use while later works on the principle use and then pay.

Table 3 : Card statistics for June 2018 of major commercial banks

BANK NAME	CREDIT CARDS		DEBIT CARDS	
	No of Transactions		No of Transactions	
	ATM	PO S	ATM	POS
State Bank of India	125495	20793632	353080704	23340394
Punjab National Bank	9917	654564	22965172	12736188
Union Bank of India	3683	198965	24970929	6837861
Bank of Baroda	5585	341913	19124351	16325772
Canara Bank	37886	525722	21733711	10380954

<https://firbidocs.rbi.orginirdocs/ATM/PDFs/ATMCS>

Growth of Banking Industry

Due to it Innovations

It would not be wrong to deny the fact that digital transactions has rose the Indian economy by making it easier for individuals to make payments. The digital transactions are now made through debit card, credit card, unified payment interface, internet banking, mobile banking. Since the demonetization PA TM users have increased to 6 million from 1 million. As per the data published by Reserve bank of India digital transaction has rose around 4.73%. Even the many fold increase in digital transaction has led to increase in foreign direct investment and foreign exchange.

CONCLUSION

Information technology offers a wide range of activities to be performed globally at a fastest speed by enhancing efficiency through coordination of activities. Technology has offered a worldwide open of economy promoting Globalizations. The several technological innovations introduced in the recent years like BHIM, GOGGLE PAY, TEZ, BIOMETRIC, ADHAR, ATM, DEBIT CARD_ CREDIT CARD, PAYTM has given a boost to Indian economy through instant transfer payments. IT has replaced a traditional system of stock market removing the defect of storing paper in physical form with a

chance of forgery, theft while in the present market documents are stored in electronic form creating depository system.

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