

# A Study on Impact on Technology in Banking Sector

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**Abstract-** This study titled “A STUDY ON IMPACT ON TECHNOLOGY IN BANKING SECTOR” E-banking implies performing basic banking transactions by customers round-the-clock globally through electronic media. Modern banking is more information-based, speedy and boundary less due to the impact of E-revolution. Modern banks have to be well-versed in information technology, its user and applications. Banking decision have to be IT-based, with the spread of digital economy. E-banking is more of a science than art. E-banking is knowledge-based and mostly scientific in using electronic devices of the computer revolution. When most business and commercial enterprises tend to become internetworking organisation, banking has to be E-banking in the century.

Today's banking is virtual banking. Virtual banking denotes the provision of banking and other related services through the extensive use of IT, without direct resource to the bank by customers. The salient features of virtual banking are the overwhelming reliance on it and the salient of physical bank branches to deliver banking services to customers. The principal types of virtual banking services include Automated Teller machine (ATMs), shared ATM networks, Electronic Funds Transfer at point of sale (EFTPos), smart cards, stored value cards, phone banking, home banking, internet and intranet banking. Thus, the practise of banking has undergone a significant transformation due to the adoption of E-banking.

**Keywords-** Banking, Technology, E-services.

## I. ELECTRONIC DELIVERY CHANNELS

Banking activities through the traditional delivery channel of bank network are on the decline can customer can now do banking business from the comfortable confines of their homes using most model electronic delivery channels. Banks are able to deliver their product more cheaply than the traditional branch networks loaded with expensive staff. The information technology has enabled banks to increase the range of their products also and market them more effectively.

The popular electronic delivery channels are the following:

1. ATMs
2. Smart Cards

3. Telebanking
4. Internet banking

### 1. ATMs

ATMs have become the order of the day in banking. Through they were evolved as novel cash dispensers, now they have emerged as a marketing tool to target the masses. There are about 1,82,000 off-site ATMs of many banks which are nothing but virtual branches, as customers can conduct any transaction, through the touch screens. They are user-friendly and they have mass acceptability. They can effectively reach out a large customer base at low cost.

At present, banks have started outsourcing and sharing of ATM services to reduce the cost. Most banks are used to cross-sell other products also so as to meet the varied requirements of customers. Banks have started dispensing railway tickets, air tickets, movie tickets, etc. through ATMs. Voice activated ATMs, ATMs with finger print scanning technology, etc., are on the move. If they become operative, they can save the customers from the hassle of carrying a card. In future a bank's ATM would function like a kiosk delivering more on non-cash transaction, thereby reducing fixed and operating costs.

### Number of ATM Transactions

The minimum number of free transaction for savings bank account holders at other Banks's ATMs has been reduced to three per month from five in six metro centres like Mumbai, New Delhi, Chennai, Kolkata, Bengaluru and Hyderabad. At other centres, five free transaction are allowed. Similarly five free transaction are permitted at their own ATMs in all locations. Banks are permitted to charge their customers' up to a maximum of \$20 (plus service charge) per transaction. However, banks are given freedom to offer more number of free transaction at their own ATMs according to their discretion.

### ATMs for Rural Masses

Biometric ATMs and solar powered ATMs have been introduced in recent times to boost micro financing initiatives and financial inclusion.

### **Biometric ATMs**

ATMs are equipped with biometric identification of the user so that even the illiterate masses can use ATMs. Biometric identification is nothing but using the body as a password. It refers to the technique of verifying a person by a physical characteristics or personal trait. For example, if a finger print scan is used for authentication, a customer is required to set his finger on the fingerprint scanner when he inserts (or stripes) his card in a biometric-enabled ATM. So, there is no need to remember the personnel identification number (PIN). A company's biometric ATM interface solution (BAIS) meet the requirements by performing the message transaction as well as confirming authorisation.

### **Solar powered ATMs**

It is an ATM designed to enable a low-cost model in delivering banking services in rural areas by using the solar energy. These ATMs are easy to use since they employ biometric system and moreover they are eco-friendly. It is less power hungry and cheaper. It requires only one-fourth of the cost of a conventional ATM.

### **White Label ATMs**

With a view to encouraging the growth and penetration of ATMs operation. ATMs, non-banking entities have been permitted to enter into the space of ATM operation. ATMs opened under such categories are called White Label ATMs. So far, 12 non-banking entities have been granted approval to launch White Label ATMs.

#### **(ii) Smart Cards**

The smart card technology is also widely used by bankers to market their products. Smart card, which is a chip-based card, is a kind of an electronic purse. Embedded in the smart card is a microchip which will store a monetary value. It is used purchases without the necessity of requiring the authorisation of Personal Identification Number (PIN) as in a debit card. It does away with all problems associated with traditionally currency.

#### **(iii) Telebanking**

Telebanking is increasingly used as a delivery channel for marketing banking services. A customer can do

non-cash-related banking over the phone anywhere and at any time. Automatic Voices Recorders (AVR) or ID numbers are used for rendering telebanking services which have added convenience to customers.

#### **(iv) Internet Banking**

Internet has enabled banking at the click of a mouse. Internet banking is all poised to emerge as the most profound electronic channel in the near future. Internet banking reduce bank's operating expenses mainly due to savings on prohibitive estate costs and expensive staff salary. It is estimated that the cost per transaction in internet banking will be only one-tenth of a regular branch transactions.

## **II. FACTORS OF E-BANKING**

As said earlier, E-banking means the conduct of banking electronically. It calls for elimination of paper-based transaction and radical change in the banking operations. E-banking will operate through internet, extranet and intranet. E-banking is, therefore, a banking on the information superhighways on the frontier of the internet.

E-banking must have at least the following dimensions:

- (i) Customer-to-bank E-banking (EB)
- (ii) Bank-to-bank E-banking
- (iii) Electronic Central Banking
- (iv) Intranet Procurement

#### **(i) Customer-to-bank E-banking (EB)**

E-banking is basically internet-based. Banking products and services such as deposits, remittances, credit cards, etc. as well as all important banking informations can be made available with easy access to customers on internet. Customers can make use of these services with no restricted office hours, no queues, no teller and no waiting. Several network innovations for E-banking can be visualised such as smart card, electronic data interchange, etc. Of course, the banking operations have to be guarded against unauthorised access by intruders.

#### **(ii) Bank-to-bank E-banking**

This form of electronic banking is for transacting inter-bank transaction such as money-at-call, etc. This type of E-banking is driving extranets, which is restricted to banks only. Hence, it is well secured and unauthorised access is less.

#### **(iii) Electronic Central Banking**

Under this E-central banking, all banks within the purview of a central bank are interconnected on extranet to facilitate clearing of cheques, management of cash reserves, open market operations, discounting of bills, etc. In fact, the central bank has to be connected with the Government treasury on extranet to carry out its functions as an agent of the Government. Again, the central banks on all countries can be interlinked with the IMF, World Bank and other international financial institutions through extranets.

#### (iv) Intranet Procurement

For the transactions that are internal to a bank, between the bank and its branches and subsidiaries, intranet procurements of banking is required. On the other hand, extranet permits a bank to have full control over the users of internet and the information to be transmitted.

### III. E-BANKING TRANSACTION

Through any type of transactions can be handled through E-banking, in the initial phase, most of the basic banking transaction can be performed conveniently through internet banking. The following are some of the basic functions:

- Account enquiry
- Fund transfer
- Payment of Electricity, Water, Telephone bills, etc.
- Request for issuance of cheque book, draft. Etc.
- Statement of accounts
- Access to latest schemes
- Access to rates of internet and other service charges

#### Electronic Cheque

The Negotiable Instrument Amendment Act has introduced another new concept called “electronic cheque” to facilitate E-banking

The electronic cheque is defined under the new section 6(a) of the Negotiable Instrument Act as follows:

- It is the exact mirror image of a paper cheque. In other words, it is the electronic image of a paper cheque.
- It is generated, written and signed in a secured manner using digital signature which has been legally recognised.

- It may or may not have biometric signature.
- Digital signature of the drawer is compulsory.
- There should be minimum safety standards like asymmetric crypto system.

#### Advantages of E-cheque

There are many advantages of using an e-cheque. The most important ones are following:

##### (i) Offers more convenience:

One need not carry physical cheque book with himself always for transacting banking business. A specimen cheque can be prepared on an electronic mode and stored in the computer itself. Whenever a cheque has to be drawn, the drawer has to simply fill up the particulars and send it immediately through e-mail. He can sit leisurely and prepare it in his house.

##### (ii) Anytime cheque:

E-cheque can be drawn and banking business can be transacted at any time during the day. But, physical cheque has to be transacted only during the banking hours.

##### (iii) Less expensive:

In these days, the cost of producing, issuing and maintaining paper cheques is going up like anything. The physical handling of paper cheque involves more labour also. On the other hand, the cost of producing an e-cheque is practically nil. The handling cost is also considerably low.

##### (iv) Avoids loss in transit, bad delivery etc:

There is every possibility of the physical cheque being lost in transit. There may be bad deliveries also. The questions of loss in transit, bad delivery, etc. does not arise in the case of an e-cheque.

##### (v) More protection:

Alterations unauthorised by the drawer can take place easily on a paper cheque. The signature can be forged skilfully and payment can be obtained by unscrupulous persons. They cannot take place on an e-cheque. More authenticity and security have been provided to e-cheques by means of digital signatures.

##### (vi) Avoids delay in payment:

A paper cheque sent for collection requires a long period for its realisation. But, a physical cheque can be converted into a truncated cheque and it can be credited to the payee banker's account instantly and there is no delay in encasing that e-cheque.

**(vii) Facilitates e-banking:**

E-cheque is a boon to e-banking. E-cheque facilitates the performing of banking transactions round-the-clock. In fact, there are no restricted office hours either for e-cheque or for e-banking.

#### **IV. CONCLUSION**

Technology is a vital part in day today human life and modern world. Banking sector impact on technology enormous charges and digital economy. Anything any ware technology in banking services.

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