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ROLE OF INFORMATION AND COMMUNICATION TECHNOLOGY ON THE BANKING SECTOR (A STUDY WITH SPECIAL REFERENCE TO BANKS IN TIRUNELVELI DIST.)

V. JEYALAKSHMI*
Reg. No: 19221041012003
Ph.D. Research scholar (Part time Internal)
PG & Research Department of Commerce
Kamarajar Government Arts College, Surandai - 627859.
E-Mail: vjeyasrimortonsri@gmail.com
(Affiliated to ManonmaniamSundaranar University, Abishekapatti,
Tirunelveli-627012, Tamil Nadu, India.)

Dr. P.K.AJIT**
`Assistant Professor
PG & Research Department of Commerce
Kamarajar Government Arts College, Surandai-627859
E-Mail: rajayapkajit@gmail.com
(Affiliated to ManonmaniamSundaranar University, Abishekapatti,
Tirunelveli-627012, TamilNadu, India.)

Abstract

A bank is a financial institution that provides customers. A bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans. There also non-banking Institutions that provides certain banking services without meeting the legal definition of a bank. Banks are a subset of the financial services industry. Today, Information Communication Technology has become the heart of banking sector, while banking industry is the heart of every rebuts economy. The ICT development has a significant effect on development of more flexible and users friendly banking services. ICT has created a new infrastructure for the world economy to become truly global and also provided the users of new technology a competitive advantage over their rivals. Electronic banking system has become the main technology driver revolution in conducting financial transactions. However, banks have made huge investments in telecommunication and electronic systems users have also been validated to accept electronic banking system as useful and easy to use.

Keywords: Information Communication Technology, Banking Industry, Electronic Banking.

INTRODUCTION:

A banking sector is the lifeline of any modern economy. It is one of the important financial pillars of the financial sector, which plays a vital role in the functioning of an economy. It is very important for economic development of a country that its financing requirements of trade, industry and agriculture are met with higher degree of commitment and responsibility. Thus, the development of a country is integrally linked with the

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development of banking in India, banks are playing a crucial role in socio-economic progress of the country after independence. The banking sector is dominant in India as it accounts for more than half the assets of the financial sector.

Information Communication Technology has been one of the most important factors for the development of mankind. Information and Communication Technology (ICT) is the major advent I the field of technology which is used for access, process, storage and dissemination of information electronically. Technology and banking are inseparable now in India. In a bid to catch up with global development. Improve the quality of customers services, delivery, and reduce transaction cost, banks have invested heavily in ICT, and have widely adopted ICT networks for delivering a wide range of value - added products and services.

Impact of Information Communication Technology in Indian Banking Sector:

Banking Industry a backbone of Indian financial system and it is afflicted by many challenges forces. One such force is revolution of information communication technology. In today's era, Technology support is very important for the successful functioning of the banking sector. Information technology in banking sector refers to the use of sophisticated information and communication technology together with computer science to enable banks to offer better services to its customers in a secure, reliable and affordable manner and sustain competitive advantages over other banks. The significant of technology is greatly felt in the financial sector in view of the competitive advantages for banks resulting in the efficient customer service.

The banking industry is going through a period of rapid change to meet competition, challenges of technology and the demand of end user. Clearly technology is a key differentiator in the performance of banks. Banks need to look at innovation not just for product but for process also. Today, technology is not only changing the environment but also the relationship with customers. Technology has not broken barriers but has also brought about superior products and channels. This has brought customer relationship into greater focus. It is also viewed as an instrument of cost reduction and effective communication with people and institutions associated with the banking business. The RBI has assigned priority to the up gradation of technological infrastructure in financial system. Technology has opened new products and services, new market and efficient delivery channels for banking industry. IT also provides the framework for banking industry to meet challenges in the present competitive environment. IT enables to cut the cost of global fund transfer.

Some of the recent IT devices described as below:-

Electronic Payment and Settlement System – The most common media of receipts and payment through banks are negotiable instruments like chaque. These instruments could be used in place of cash. The interbank chaque could be realized through clearing house systems. Initially there was a manual system of clearing but the growing volume of banking transaction emerged into the necessity of automating the clearing process.

Use of MICR Technology – MICR overcomes the limitation of clearing the chaque within banking hours and thus enables the customer to get the credit quickly. These are machine – readable codes added at the bottom of every cheque leaf which helped in bank and branch-

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wise sorting of chaque for smooth delivery to the respective banks on whom they are drawn. This no doubt helped in speeding up the clearing process, but physical delivery of chaque continued even under this partial automation.

CTS (Cheque Truncation System) – Truncation means stopping the flow of the physical chaque issued by a drawer to the drawee branch. The physical instrument is truncated at some point on route to the drawee branch and an electronic image of the cheque is sent to the drawee branch along with the relevant information like the MICR fields, date of presentation, presenting banks etc. This would eliminate the need to move the physical instruments across branches, except in exceptional circumstances, resulting in an effective reduction in the time required for payment of chaque, the associated cost of transit and delays in processing etc., thus speeding up the process of collection or realization of chaque.

Electronic Clearing Services (ECS) – The ECS was the first version of "Electronic Payments" in India. It is a mode of electronic funds transfer from one bank account to another bank account using the mechanism of clearing house. It is very useful in case of bulk transfers from one account to many accounts or vice-versa. The beneficiary has to maintain an account with the one of the bank at ECS Centre.

There are two types of ECS (Electronic Clearing Service)

ECS – Credit – ECS Credit clearing operates on the principle of 'single debit multiple credits' and is used for transactions like payment of salary, dividend, pension, interest etc.

ECS – Debit – ECS Debit clearing service operates on the principle of 'single credit multiple debits' and is used by utility service providers for collection of electricity bills, telephone bills and other charges and also by banks for collections of principle and interest repayments.

Electronic Fund Transfer (EFT) – EFT was a nationwide retail electronic funds transfer mechanism between the networked branches of banks. NEFT provided for integration with the Structured Financial Messaging Solution (SFMS) of the Indian Financial Network (INFINET). The NEFT uses SFMS for EFT message creation and transmission from the branch to the bank's gateway and to the NEFT Centre, thereby considerably enhancing the security in the transfer of funds.

Real Time Gross Settlement (RTGS) – RTGS system is a funds transfer mechanism where transfer of money takes place from one bank to another on a 'real time' and on 'gross basis'. This is the fastest possible money transfer system through the banking channel. Settlement in 'real time' means payment transaction is not subjected to any waiting period. The transactions are settled as soon as they are processed. "Gross settlement" means the transaction is settled on one to one basis without bunching with any other transaction.

Core Banking Solutions (CBS) – Computerization of bank branches had started with installation of simple computers to automate the functioning of branches, especially at high traffic branches. Core Banking Solutions is the networking of the branches of a bank, so as to enable the customers to operate their accounts from any bank branch, regardless of which branch he opened the account with. The networking of branches under CBS enables centralized data management and aids in the implementation of internet and mobile banking. Besides, CBS helps in bringing the complete operations of banks under a single technological platform.

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Development of Distribution Channels – The major and upcoming channels of distribution in the banking industry, besides branches are ATMs, internet banking, mobile and telephone banking and card based delivery systems.

Automated Teller Machine (ATM) – ATMs are perhaps most revolutionary aspect of virtual banking. The facility to use ATM is provided through plastic cards with magnetic strip containing information about the customer as well as the bank. In today's world ATM are the most useful tool to ensure the concept of "Any Time Banking" and "Any Where Banking".

Phone Banking – Customers can now dial up the banks designed telephone number and he by dialing his ID number will be able to get connectivity to bank's designated computer. By using Automatic voice recorder (AVR) for simple queries and transactions and manned phone terminals for complicated queries and transactions, the customer can actually do entire non-cash relating banking on telephone: Anywhere, Anytime.

Tele Banking – It is another innovation, which provided the facility of 24 hour banking to the customer. Tele-banking is based on the voice processing facility available on bank computers. The caller usually a customer calls the bank anytime and can enquire balance in his account or other transaction history.

Internet Banking – Internet banking enables a customer to do banking transactions through the bank's website on the internet. It is system of accessing accounts and general information on bank products and services through a computer while sitting in its office or home. This is also called virtual banking.

Mobile Banking – Mobile banking facility is an extension of internet banking. Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct financial transactions remotely using a mobile device. Unlike the related internet banking it uses software, usually called an App, provided by the financial institution for the purpose. Mobile banking is usually available on a 24 hour basis. Some financial institutions have restrictions on which accounts may be accessed through mobile banking, as well as a limit on the amount that can be transacted. Transactions through mobile banking may include obtaining account balances and lists of latest transactions, electronic bill payments, and fund transfers between a customer's or another's accounts.

Statement of the Problem:

The research work is a study of the Impact of Information Communication technology in banking sector. Many problems' confronting the banks in India is in their use of Information Communication Technology (ICT). The problem associated with the study is to determine the true position of the banking system. Researcher described that compared to ordinary banking system E-banking is providing the competitive advantages by lowering the cost and providing best satisfaction of customer needs. The old age people are generally said of use of ATM because of perceived risk of failure, complexity, security and lack of personalized service.

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Objectives of the Study:

The main objectives of the study are:

1. To identified the degree acceptance of Information and Communication Technology in the banking sector.
2. To examine the contribution of Information and Communication Technology to the growth of the banking sector.
3. To know about the Information and Communication Technology is enhancing efficiency in the banking.

Hypothesis of the Study:

- Ho: There is no association between the education qualification of customers and overall satisfaction about ICT.
- Ho: There is no relationship between income level of customers and overall satisfaction about ICT.

Methodology of the Study:

Sources of Data:

The data required for the study were collected from the both the primary and secondary sources. The primary data has been collected directly from the customers by using Interview Schedule. The Secondary data has been collected from the published Journals, books, magazines' and websites.

Sampling Design:

The 130 samples were selected from the population for this study. A convenient method of sampling technique is applied to get the questionnaire. 130 respondents were selected as samples for the study for analyzing the data, percentage, and weighted Ranking method were used. Chi-square test was used to test the hypothesis.

DATA ANALYSIS AND INTERPRETATION

TABLE- 1

DEMOGRAPHIC FACTORS

Demographic	Number of Respondents	Percentage
AGE		
Below 20 years	16	12.31
20 – 30 years	22	16.92
30 -40 years	40	30.77
40 -50 years	32	24.62
Above 50 years	20	15.38
GENTER		
Male	74	56.92
Female	56	43.08
PLACE		
Urban	74	56.92

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Semi-urban	26	20.00
Rural	30	23.08
EDUCATION		
Up to Higher Secondary	16	12.31
Graduates	44	33.85
Post Graduates	28	21.54
Technical	12	09.23
Professional	30	23.07

Source: Primary data

The demographic characteristics of the respondents (table1) it is clear that (30.77%) of the respondents belongs to the age of 30 – 40 years followed by ((24.62%) aged group 40.50 years. (16.92%) of the respondents belongs to the age of 20 – 30 years followed by (15.38%) aged groups above 50 years and (12.92%) the respondents belong to the age of below 20 years. It is revealed that majority respondents are male (56.92%) and (43.08%) of the respondents are female. It shows that out of 65 respondents (56.92%) of them belongs to urban area where as only (23.08%) of them belongs to rural area. The respondents belong to semi-urban area constitutes 20%. It is clear that majority of the respondents are graduates (55.39%). Among these under graduates alone constitute (33.85%) and post graduates constitute (21.54%). A significant portion of professionals (23.07%) are also involved in ICT banking operations. Technically qualified respondents educated up to higher secondary level constitute (9.23%) and (12.31%) respectively.

TABLE – 2
AWARE ABOUT INFORMAYION COMMUNICATION TECHNOLOGY BASED ON BANKING SECTOR

S.NO	Awareness	No of Respondents	Percentage
1	Aware	98	75
2	Unaware	32	25
	Total	130	100

Source: Primary data

It was analysis from Table – 2 that out of 65 respondents, 49 respondents (75%) were aware of ICT base banking services whereas 16 respondents (25%) were unaware of ICT based banking services. Hence, it was majority from table-2 that 75% of the respondents were aware of ICT based banking services.

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FINDINGS

- Majority of the sample respondents (31%) are between 30 to 40 years age group.
- Majority of the respondents are male and awareness among female regarding ICT in banking sector.
- More than three fourth of the respondents belongs to urban and semi-urban area. It is appreciable that even though urban people more interested in ICT in banking operations a considerable rural population involved in ICT in financial securities.
- Majority of the respondents are graduates (33.85). It is inferred that awareness of ICT banking operations more among graduates.
- Most of respondents (75%) are aware of ICT based banking services.

SUGGESTIONS

- Banks should make their own their own effective competitive strategies taking into consideration about the ICT strategies for better service to customers.
- Banks must spread their ICT services in the rural and unbanked areas.
- Banks should give the training to employee. It will also reduce the burden of ICT in banking sectors.

CONCLUSION

Despite these efforts, ICT baking sector has yet to gain popularity in India. Growth in ICT banking has been limited not only by financial illiteracy but also the simplicity of offerings. In India, cash is preferred mode of transaction so villagers often cannot accept the money transactions. Banks too are increasingly showing more interest in ICT in Banking.

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