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## Full Length Review Article

# THE CONVENIENCE OF IT APPLICATIONS FOR CUSTOMERS IN BANKING

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### ABSTRACT

With the patterns of consumer behaviour changing with the increasing use of technology in the delivery of banking services, there is a need to cultivate customers' confidence in using the tech-based services. This is so because customers may not be ready to avail the tech-based service delivery and there is proof of growing customer frustration while interacting with the technology based service delivery interfaces. Since the products offered to the customers of a bank are more or less standardized in nature, banks are feeling an increasing need to differentiate themselves from the competitors on other criteria that can influence customer loyalty. This is so because customer loyalty has been shown to be of utmost importance for firm performance in the long run. As Information Technology is vital in banking today, it becomes imperative for banks to realize its impact on operational performance in order to justify capital investments. Case studies have shown that effective and efficient use of Information Technology (IT) helps to distinguish between business equivalents. For example, IT was an important distinction between banks that were doing well in the mid-1980s as compared to those that was less profitable<sup>1</sup>. Today, information technology (IT) has become a key element in economic development and a backbone of knowledge-based economies in terms of operations, quality delivery of services and productivity of services. Therefore, taking advantage of information technologies (IT) is an increasing challenge for developing countries. There is now growing evidence that Knowledge-driven innovation is a decisive factor in the competitiveness of nations, industries, organizations and firms. Organizations like the banking sector have benefited substantially from e-banking, which is one among the IT applications for strengthening the competitiveness.

## INTRODUCTION

Over the past decade, wealth management and in particular private banking, has grown through the development of its on-shore business, a trend that is set to continue. Information technology, by contrast, has evolved through increased off-shore activities. Getting closer to the client and adding value to the service requires a combination of local and global approaches. As markets diversify and become more complex, private banking companies are finding they have to centralize their operations to provide a consistent service to clients, wherever they are in the world. IT leaders find themselves at the heart of this shift in service levels. Whether defining an outsourcing contract, rolling out a standard application worldwide, or providing information to ultra high net worth individuals clients travelling the globe, IT has to adapt to the changing structure and culture of the business, becoming critical enablers of change along the way.

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## Literature Review

Researchers have evolved from mere reports to more empirically based reports. These include the extensive works (Weil *et al.*, 1992; Bruce *et al.*, 2000). For instance, a study of selected stores in a fast food industry showed that stores with the technology and large breakfast sales performed significantly better in terms of cutting materials cost (Baker *et al.*, 1990). However, it was realized that firms that extensively relied on computers had either a very strong or a weak financial performance (Cron *et al.*, 1983). The first stage of information technology in banks started with an attempt to automate the banking process through mechanization. It was by the use of note counters and accounting calculators to speed up basic transactions. Another stage of information technology was in the storage and retrieval of information. Then in the late 1950s and 1960s, business data processing was through punched card equipment. The 1970s saw the introduction of Information Technology Management System (MIS) and Decision Support System (DSS).

The 1980s saw the fusion of telecommunications and networking technologies for business deployment. It also saw the emergence of data processing, Office Information System (OIS) and personal computers. The financial sector has been an interesting case for service innovation as it moves towards using the web for commercial purpose through internet banking and IT. The impact of price clarity and consumer empowerment afforded by information technology eventually led to product and price competition. IT has made banks not just being profit-centric but also customer-centric banks (Accad *et al.*, 2009). The web based banking operations has made it possible to accommodate functions and processes in other sectors like in government (vehicle license registration) and education (payment of fees). With the aid of information technology, banks are closer to their customers to find out what they really need and deliver such needs. Information technology has made it possible for customers to gain access to their account balance, buy recharge cards and pay bills using their mobile phones anytime from anywhere. Online banking allows customers to get their current account balance at any time. Information technology leads to a reduction in cash transactions which leads to reduction in crime (Ovia *et al.*, 2000).

## A Global Environment

### Clients

Supporting growth in locations around the world, for example in Asia, is becoming more important for private banking institutions, even those that already consider themselves to be international. With the wealth management profession becoming more global in outlook, putting in place an “efficient infrastructure to support business mobility” is essential. The need to take a “holistic view of the customer” has affected all parts of the business from the front to the back office. The result has been stricter alignment of processes, resources and priorities, state-of-the art reporting and deeper added value for clients. The goal is to be able to access to all the information known about clients, in order to help client relationship managers prepare effectively for their meetings. This will in turn enable them to anticipate their clients’ needs and ultimately provide them with a better service. Clients are becoming more multifaceted and nomadic. As one CIO put it, “they travel and expect consistent front-end service”. Consequently, the depth and quality of client management have improved drastically. Knowledge-based management is pervasive, and over the past two years the trend has been for clients to demand a service that is “both global and more sophisticated” This is particularly true for ultra high net worth individuals who are geographically diverse and dispersed. They tend to be itinerant and agile, flexible and well informed, expecting a “homogeneous, consistent service regardless of where they are situated”.

Case studies have shown that effective and efficient use of Information Technology (IT) helps to distinguish between business equivalents. For example, IT was an important distinction between banks that were doing well in the mid-1980s as compared to those that was less profitable. Hence the need to survive, for global relevance, to maintain existing market share and sustainable development has called for the exploitation of IT and its many advantages. In the banking industry, a list of IT products that have been adopted range

from teller printers, Automated Teller Machines (ATMs), smart cards, Magnetic Ink Character Reader (MICR). A list of IT services also includes internet banking, mail, telephone banking, and mobile banking. Accounting for a greater percentage of what could be regarded as IT in banks is its internetworking. This internetworking refers to the internet, extranet and intranet and interbank networking. Intranet exists in branches such that transactions taking place in a branch is only accessible in that branch alone. For example, a branch has a VPN of 10.108.108.0 and another has a VPN of 10.103.103.0. A transaction taking place at 108 networks is exclusively for that network, it cannot be seen from the 103 network. Extranet exists such that a customer is not restricted to the branch he opened his account. He could bank anywhere since such information is made securely available within the bank regardless of its network. Internet is the unsecured channel wherein both the secured intranet and extranet exists. Here, every other information aimed for the public is made available since they are not confidential.

### Unlocking the Potential of Mobility

- Mobile banking services are gaining in importance to customers.
- Customers are evaluating the quality of mobile services in their decisions to choose a bank or leave it.
- Younger customers place greater importance on mobile banking than older ones.
- Younger customers are less satisfied with mobile banking than customers in other age groups.
- Developing advanced mobility capabilities is emerging as a strategic imperative for banks today.
- Mobility in banking comprises a wide range of offerings that have the potential to enhance the customer experience, as well as drive sales.
- Banks have achieved some success in improving the customer experience by enhancing aspects of mobility, but need to put additional focus on top-line drivers such as mobile sales, agent interfaces, and mobile marketing to gain competitive advantage.

Banks need to leverage a “provide-engage-excite-delight” maturity model to assess the current standing of their mobility capabilities and identify the path forward for becoming a customer-centric bank. Using such a model can enhance the banks’ competitive positioning by giving them insight into the mobile services they should be offering to meet customer needs.

### Enhancing Both Customer Experience and Sales

As the mobile channel has evolved, it has brought greater convenience to customers and increased opportunity to banks. Recently, the development of near-field communications has made it possible for banks to deliver mobile payment solutions, while GPS technology has supported the development of location-based marketing on behalf of merchants. Banks have also started using mobile to reach out to the unbanked population. In the latest iteration, mobile access to social media sites has enabled banks to reinforce their brands by becoming part of the customer conversation. What began purely as a way to support customer service has evolved into a multifaceted tool to support a full range of transactions, reach new markets, and

build brand loyalty. Because mobile is still at such a nascent stage, the full scope of what the technology offers can be easy to miss for banks as well as customers. Mobile supports simple transactions, such as alerts, as well as highly complex ones, such as securities trading through customizable, secure interfaces. In the area of sales and support, mobile devices can access workforce collaboration tools to generate and manage leads, communicate to customers, automate the sales force, and assist in pricing. In addition, mobile-based applications are now available to help in managing marketing campaigns and support relationship management dashboards, all of which lead to improved service and sales. Today's mobile channel encompasses a full range of capabilities that can both enhance the customer experience and enable sales growth. Not every mobile banking capability has an equal impact on the outcome a bank is seeking. For example, mobile alerts bring big benefits to the customer experience, but are of less use in supporting sales. Similarly, mobile marketing software can boost sales growth, but is not necessarily intended to enhance the customer experience. Developing a mobile strategy that can both improve the customer experience and drive sales is one of the challenges facing banks today.

### **Impact of IT in Banking Industry**

The following include some of the major impacts of information technology in banking system:

#### **GSM Banking**

This mode of e-banking makes use of the Global System for Mobile communication (GSM) phones as the primary electronic device. GSM has improved the operational efficiency of many banks in the country. The mobile banking services basically allow customers to operate their accounts with the operating banks from mobile phones to a large extent as long as their phones and network support SMS (short messaging service). The user could be able to check account balance up to his two last transactions.

#### **Automated Teller Machines (ATMs)**

ATMs are a computer-controlled device that dispenses cash, and may provide other services to customers who identify themselves with a Personal Identification Number. ATM dispenses cash at any time of the day and night, unlike the traditional method where customers have to queue for a very long time in order to withdraw cash or transfer funds.

#### **Adoption of the ICT Integrated Project**

Banks have successfully completed information and communication technology integration project which enables them to communicate easily across as many employees as possible within and outside the country to deliver radically-enhanced customer-centric services.

#### **Funds Transfer**

Customers can now electronically transfer funds across the globe without any problem or delay as compared to the traditional method before the advent of information technology when funds are seriously delayed before they are delivered to the recipients.

### **On-Line Banking**

With the aid of information technology, online banking provides the opportunity of paying bills and performing transactions of any kind electronically. Electronic payments can be credited or debited the same day. Customers can make payments for goods or services without necessarily coming in contact with physical cash and running the risk of handling a large amount of money.

### **Electronic Mail**

Information technology has given rise to electronic mail which improves communication between individuals, external parties and the bank within or across various geographical regions or boundaries. The availability of online information provides bankers and customers with a powerful vehicle for research.

### **Conclusion**

Banks have to provide an excellent service to customers who are sophisticated and will not accept less than above average service. Thus, the issue of service marketing in general, and banking services in particular has become one of the most important and modern directions which have witnessed a substantial expansion during the last years in almost all societies. This is because the increasingly significant role which banking services have with the widening and variety that these services are characterized with, thus banking services have touched most aspects of contemporary societies life and activities.

More than most functions that have an internal impact, IT depends greatly on external resources. Vendor reliability is mission critical in IT, whether the vendors provide hardware, software, services or solutions. Standard platforms are rare, innovation is constant, and solutions are driven by the need for both sophistication and simplification. With sustained pressure to improve services and with constantly changing needs, processes have to be continually adapted. Settling for the "state of the art" is no longer good enough — IT management needs to develop solutions that are "future proof". Whatever tools and components are adopted, they must be flexible and capable of adaptation.

Information technology is therefore an effective device that can be used in any industry in order to speed up its services, particularly in the banking industry. Adoption of Information technology has influenced the content and quality of banking operations. It is therefore, recommended that:

- Information technology should be used as a great potential for business process re-engineering in Banks.
- Investment in Information technology should form an important component on the overall strategy of banking operations so as to ensure continue patronage by customers and guarantee banks performance.
- It is also imperative for bank's management to intensify investment in Information technology products to facilitate speed, convenience and accurate services, or otherwise they may lose out customers to other competitors.

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