Unit 3 : Advent of Information Technology in BFSI

The advent of information technology to every aspect of human life and business has been so obvious that it does not need to be accentuated more. Information technology has been of great essence in banking system. This study aims to investigate the effect of information technology in the banking system.

The data are obtained both through the customers and the employees. The data were then analysed using the exact percentage and the 5-point Likert scale to determine the impact of Information technology in the banking system affairs. The findings then proved that Information technology contributes to the banking system in three different ways as follows: IT saves the time of the customers and the employees conspicuously, IT cuts down the expenses and IT facilitates the network transactions.

All in all, this auspicious technology influences the banking industry, mainly in the following three aspects: 1. Technology is influencing competition and the degree of contestability in banking. Due to the development of technology, bank's superiority in information is deteriorated. Entry barrier have been declining, new competitor has emerged. Some financial products and services have become more transparent and commodities, customer show willing to unbundled the demand for financial products and services, all these lead to a more competitive market environment. Due to lowered entry and exist and deconstruction, for some sub-financial markets, contestability in banking is also raised. 2. Technology influence Economy of scale: Competitive pressure force banks to lower their cost. Bank seeks to get economy of scale in bank procession instead of being a big bank. Bank seeks to secure the optimal business structure, and secure the competitive imperative of economy of scale. There are other options to get economy of scale, including joint venture and confederation of financial firms. Small firms also can get economy of scale by outsourcing, i.e. buy in economy of scale.

3. Technology influence the economics of delivery Technology has a major impact on the way banking and financial services are delivered. A wide range of alternative delivery mechanism becomes available, Internet, ATM… these Reduces the dependence on the branch network as a core delivery mechanism. With the development of technology, the financial systems are substantially over-supplied with delivery system through a duplication of network, bank has to change their delivery strategy, rationalize their branch network strategy, and widen the range of delivery option. Banking industry has been taking advantage

of the following 22 Technology Products: (1). Net Banking; (2). Credit Card Online; (3). One View; (4). InstaAlerts; (5). Mobile Banking; (6). NetSafe; (7). e-Monies Electronic Fund Transfer; (8). Online Payment of Excise & Service Tax; (9). Phone Banking; (10). Bill Payment; (11). Shopping; (12). Ticket Booking; (13). Railway Ticket Booking through SMS; (14). Prepaid Mobile Recharge; (15). Smart Money Order; (16). Card to Card Funds Transfer; (17). Funds Transfer (eCheques); (18). Anywhere Banking; (19). Internet Banking; (20). Mobile Banking; (21). Bank@Home (i) Express Delivery; (22). Cash on Tap: (ii) Normal Delivery.

The research questions are as follows: 1. Does IT have a meaningful effect on saving the time of the customers and the employees of bank? 2. Does IT have a meaningful effect on cutting down the expenses of bank? 3. Does IT have a meaningful effect on facilitating the network transactions of bank?

Technology plays a key role in the banking industry, maximising the efficiency of transactions and services. Over the decades, banking practices have changed significantly due to information technology. **The powerful digital software capable of facilitating smooth customer onboarding, digital lending, sales automation, and many other services has been of immense use for banks and financial service providers. Banks and Financial Institutions (FIs) can offer seamless banking services to their customers.**

The BFSI sector in India is rapidly changing for the better. With the evolution of innovative, new-age technologies like Artificial Intelligence (AI), Machine Learning (ML), and more, digital banking is climbing new heights.

We are witnessing a revolution in the fintech world that has transformed the banking industry into a far more efficient and profitable business. Many people are inclining towards digital interactions and transactions with their banks.

Embracing the advanced digital solutions for improving banking services can be rewarding for banks and FIs. Modernising banking infrastructure has become essential for banks to have an edge in the highly competitive BFSI industry.

Technological innovations like AI and ML can optimise banking operations like customer onboarding by preventing frauds, building suitable product recommendations, and more. A fully-equipped and developed digital lending software can offer myriad benefits to accelerate digital lending, allowing banks to disburse loans faster.

Services like digital lending widely use AI and ML to allow a more accurate and extensive credit risk profiling. AI based credit scoring uses tons of data points like income level, employment history, and credit history.

Whether it is about onboarding a new customer or granting a loan, all details and processes have to comply with regulatory bodies. AI and ML play a major role in compliance management.

While many prominent technologies drive digital banking operations, a few technologies like AI and ML, Robotic Process Automation (RPA), and Cloud Technologies play a crucial role.

APIs allow banks and financial entities to club in their frequently used microservices to accelerate their business. With easy integrations and data sharing, APIs can help banks save several weeks.

Financial APIs (Application Programming Interfaces) are one of the most important technologies used in digital banking. APIs connect with the application and allow interactions, transactions, payments, and sharing of information.

Cloud technologies

Digital banking has ramped up the customer onboarding rates, and with a growing number of customers also comes an increased amount of data. Cloud technologies are the most optimal way to store, organise, and retrieve data.

Powerful cloud-based technologies can be immensely beneficial for building essential statistics and deriving valuable insights to boost customer onboarding rates.

Cloud-based technologies allow banks and FIs to build smarter marketing and sales strategies, serve their customers better, and cross-sell relevant products to the right customers.

The emergence of banking technologies has changed the fintech industry. With the pandemic, and restrictions in place, multitudes of banks and FIs are modernising their infrastructure to support digital banking.

Banks need to be clever about upgrading their existing infrastructure by facilitating a seamless and frictionless customer experience. The perfect balance between compliance and user experience to hike your customer onboarding rates, is needed.

Banks and financial service providers have to embrace digital banking and imbibe the essence of all these cutting-edge technologies to outstand the competition. With flawless finance software, endless opportunities and upcoming technologies, the Indian BFSI sector is heading towards a bright future.