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on**

## **Recent Economics Policies and Its Impact on Indian Economy**

**October 2019**

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## It Framework For Theindian Banking Sector

Mrs. Dr. Shakuntala Jaikumar Kulkarni

Research Guide

Rajarshri Shahu Mahavidyalaya(Autonomous),Latur.

Mr. Dnyaneshwar D. Banasode

Research Scholar

### Abstract:

From being a minor empowering influence, IT has changed itself into a facilitator in the worldwide economy and increasingly considered as the most significant differentiating factor for business achievement. Like different businesses around the world, banks gain their notoriety from their hearty financial status as well as from offering IT empowered quality administrations to their customers. An endeavor made here to recognize the principal segments of an organized IT plan customized to the necessities of the banking sector in India. Information technology in banking sector alludes to the utilization of advanced information and communication innovations together with software engineering to empower banks to offer better administrations to its customers in a safe, solid and reasonable way and sustain competitive bit of leeway over different banks. Banks are never again confined themselves to traditional banking activities, yet investigate more up to date roads to increase business and catch new showcase by implementing the new technology. The noteworthiness of technology enormously felt in the financial sector, for banks resulting in the effective customer satisfactions.

**Key Words:** Information technology, financial sector, customer satisfactions.

### Introduction:

Historically, bank automation in India goes back to the mid-1970s. Massive IBM machines, which was involving the relentless procedure of feeding data on punched cards, was complex for inter-bank compromise and finance accounting. The banking industry's long and strenuous adventure from the phase of punch card based group processing to the existing arrangement of online exchange processing and unified banking solutions is age making. At the point when HBSC installed the main Automated Teller Machine (ATM) in 1987, it is the first and most obvious bit of proof announcing the entry of electronic banking in India. In the most recent decade, ATMs have mushroomed over the urban Indian landscape, becoming the present most favored conveyance channel. Tele banking and PC banking in the late 1990s trailed as ATMs. The subsequent stage in this developmental procedure was Internet banking. ICICI Bank was the first among the new private banks to dispatch its net banking administration. Computerization began appearing on the outside of the Indian banking sea as open sector banks, after initial obstruction, started hysterically computerizing their branches in a staged way. Countless customers and branches ordinarily depict open sector banks. Controlling between 75-85% of the market, open sector banks understood that a heritage of manual systems would obstruct competitiveness and a move to automated banking was the route ahead. Not at all like open sector banks, had new private and outside banks begun with full computerization from the very beginning. Every one of their branches networked directly from the earliest starting point.. To give a boost to bank computerization, The Reserve Bank of India (RBI) issued guidelines in consonance with the proposals of the Rangarajan Committee (1989). The Central Vigilance Commissioner CVC (1998) additionally issued guidelines to open sector banks to automate 70% of their banking tasks by 1 January 2001. Such interventions have helped the vast majority of the banks to accomplish targets or even surpass them. Nevertheless, various degrees of computerization leave a nagging uncertainty about whether banks or customers can receive the full rewards of computerization.

The Fundamentals: The Committee on Technology Up gradation in Banks (1999) made it mandatory for banks to improve their endeavors at networking their branches and to set up data



distribution centers for compelling choice emotionally supportive networks. Today, Indian business banks have the benefit of choosing from an assortment of conveyance channels for their items and administrations. This includes the physical branch office networks, ATMs, automated self-banking stations, tele-banking and PC banking. Numerous banks have perceived the competitive points of interest inherent in IT and have quickly increased business levels and profitability by being first movers in their fragments. IT solutions enable financial institutions to adequately handle enormous increases in exchange volumes as banks continue with geological development and convey improved degrees of customer benefits on occasion and places suitable to themselves and their customers.

Yet, customers, particularly those in the most profitable portions, are more IT uncovered, mobile and less faithful. In request to design and convey customized, innovative, and amazing elective items and administrations to the customers, banks are exploring new conveyance channels for this new type of customers and exploiting these conveyance channels for differentiating their items to gain competitive preferred position. Internally, financial institutions are seeking to decrease costs through improved operational efficiencies in the conveyance of items through new and progressively profitable retail conveyance channels.

The contrast among survival and annihilation often hinges on the skinny productivity edge when contrasted and the competition. This bit of leeway is often the aftereffect of best in class IT system supporting alternatives for improved business choices. Taking such critical choices is pivotal. How is this conceivable? One answer is – opportune and precise investigation of data. Exact, exceptional statistical data points are the establishments of key and operational basic leadership. The challenge before banks is – How to catch the parameters of the expansiveness and profundity of data that will bolster basic leadership?

IT solutions assume a key job in capturing, drawing and transforming data from exchanges into a items. IT additionally empowers leans to the correct size and ideally conveys existing HR, particularly from surplus to deficit pockets in a technology driven condition. The rightsizing activity involves not simply introduction and usage of different labor decrease projects and plans like VRS, yet more critically enhancing technology abilities in the workforce.

### **The driver: Business or IT?**

IT has empowered banks to offer a variety of items and administrations that would have been unthinkable a couple of decades prior. Because of the Internet, aside from offering online records, banks would need to create explicit items for the Internet, as online bill presentment or credit cards with instant online endorsement. Levels of administration need to be upgrade through online record management. Since the present worth included uncommon item could useful for tomorrow's broad commodity, achievement would depend more on item innovation than any other time in recent memory. From the beginning, it must be recollected that IT isn't an end in itself, yet procured and conveyed to serve business prerequisites effectively. IT procedure must sewn into the texture of the bank's vision and business methodology. Like its partners somewhere else, Indian banks require IT that empowers them to:

- ❖ Deliver new and existing items over shifted channels and offer a high level of personalization to their customers, proactively.
- ❖ Broaden business systems to include technology driven items and administrations like tele-banking, Internet based home banking, and so forth (in the retail field) and systems integration (in the business field).

- ❖ Offer successful CRM projects and in the end move onto customer oversight relationships where the customer drives everything.

IT procedure can possibly adjust technology assets and bring most noteworthy incentive in administration of the general business plan. No business methodology is finished without IT procedure.



For some, an IT-sagacious association, business technique is subject to and is made conceivable by investing in IT. IT choices influence significant issues:

- ❖ Which new items does the bank have the capability to offer?
- ❖ How well are relationships with customers overseen by the bank?
- ❖ What kind of marketing efforts can the bank proficiently create?
- ❖ What levels of productivity can the bank's representatives accomplish?

Fundamentally and practically, the degree of IT bolster influences every single key capacity of the bank accessible or required for it. In this way, it bodes well to create and maintain a key technology plan for deploying IT systems that enable the bank to meet the objectives of the general business plan and win the technology race.

**The IT strategy framework:** In an increasingly unique condition, banks need to detail methodologies to adapt to deregulation. The methodology ought to incorporate upgrade of competitive pricing to maintain piece of the overall industry, secure the existing customer base, increase expense based income through strategically pitching, improve operational proficiency and introduce new items and administrations. Banks face the requirement for collecting complete information about customer conduct to give altered administrations to individuals or target portions to which individual customers have a place. This requires configuring databases for implementing new procedures and technology support for offering new and innovative items.

Because of the dynamic idea of the earth, the skylines for vital planning in banks are narrowing. Shorter skylines increase adaptability to the earth, accelerate the planning procedure and expedite execution. Short skylines empower swifter execution and fine-tuning should be possible effectively, turning the banking framework progressively responsive to ecological difficulties. Simultaneously, it likewise makes more noteworthy demands on the management's ability to adjust and adapt to a rolling arrangement, to the extent vital planning is concerned. Banks are induced to receive IT for a few reasons. In numerous cases, it is beyond the realm of imagination to expect to expand the life of more established advances operating in the banks as more current innovations give rewarding opportunities. Because of continuous and quick paced mechanical innovations, the out of date quality factor influences both the equipment and software sections. In this manner, banks must play it safe by future-proofing technology arrangement. Technology should pay for itself, ideally within three years, so banks get investment assurance for technology up gradation and extension.

**The IT policy framework:** IT planning is an ongoing exertion intended to coordinate the bank's technology capabilities with its changing vital destinations. It is vital for a bank to distinguish technology holes and build up an arrangement that supports the bank's long/medium term vital Objectives inrequest to scaffold holes. It is basic for banks to have an obviously defined technology planning process that depends on a well-established technology activity plan for the following reasons:

- ❖ Several powers shape/reshape banking – increasing competition, new items, and changing conveyance channels. All these are technology driven.

- ❖ Banks as of now spend an immense lump of their financial limits every year on technology. Such investments will just continue to heighten.

- ❖ Effective technology management requires an underlying technology plan. Without it, rare assets can squander and opportunities missed.

IT methodologies should defined by banks taking into thought critical parts of long/transient planning to adjust technology systems to business goals. The bank's technology consistently be in tandem with its social milieu and key targets. This implies endeavors must make cognizant to put the whole association in appropriate point of view and to have a comprehensive way to deal with planning.

The following vital assessment is necessary:



❖ Current state (Where are we?): Is a self-appraisal procedure involving the examination of the present technology position of the bank. It likewise involves assessment of staffing, training, authoritative procedures and controls, communication and management reporting. Effectively intergradations of new advancements, banks should dispassionately go up against internal operating issues and be happy to make changes (any place vital). Business process re-engineering ought to be concurred top priority to effective use of new technology.

❖ Desired state (Where would we like to go?): Identification and prioritization of the purposes for technology appropriation is vital. Technology objectives ought to apply consistently in an understanding of the commercial center. Sizing up the competition and measuring its own pace, in view of a SWOT investigation, must be the bedrock of the choice on where to go.

❖ Destination (How would we arrive?): This period of the technology planning procedure involves making choices about how to actualize the technology activity plan and the technology initiatives required to sought after in the short/mid/long haul.

A technology plan is a report that sets out the means essential for each activity item. It fills in as a guide for investment choices. The arrangement once made and likewise viably announced within the association so it gets the commitment and backing through and through. The networked economy is the integration of individuals and institutions obtaining information, transacting business or mostly doing things using electronic networks as the underlying spine. Such an electronic interface bolsters many banking activities and administrations like branch tasks (ATMs, put away worth cards, credit cards, debit cards, and so forth.), trading work areas, stock trades, Internet banking, and so forth. In this manner, networking structures a critical segment of the general technology methodology of a bank. In spite of the fact that numerous banks in India have started networking their branches with a 'we-also have-it' attitude, the destinations of evolving a powerful corporate network for a bank ought to be:

❖ Meet the growing demand of customers for mobility, speed, productivity and economy through different technology based administrations; and

❖ Gain stability of presence and development, which tested because of a few factors, for example, quickly changing business sector powers, impact of technology, monetary advancement, globalization arrangements, and so forth.

The business prerequisites of banks/financial institutions are changing quickly. The customer has now risen as the essential focal point of consideration. The exceptionally competitive market offers customers a wide selection of saves money with varying degrees of customer administration, effectiveness and technology support.

**The customer demands are high and inescapable:**

- ❖ Mobility: Internet banking, any branch banking, mobile banking and SMS cautions.
- ❖ Availability: ATM networks and constant online banking
- ❖ Efficiency and speed: Electronic finances move, charge payments on the Internet.
- ❖ Aggregation: Consolidated perspective on customer accounts over the bank.
- ❖ Banking Relationship: Develops CRM and e-CRM.
- ❖ Security: Brings security in electronic exchange and payment system.

**The Emerging Scenario:**

As the banking, industry has turned out to be more market-driven and competitive, traditional dependability has disintegrated. The one-stop neighborhood bank is quick becoming outdated. Today, shoppers are probably going to depend on numerous financial specialist organizations – online banks, common assets, all-inclusive banks, business firms, investment offices, insurance organizations and others – to meet their different banking and financial needs. With exceptional and inconsistent competition (pricing and execution), customer unwaveringness is difficult to obtain and progressively hard to retain. Banks/financial institutions should go that additional mile all the time even to retain their



customers for explicit items or administrations. Enormous scale movements of customers may found in value sensitive administrations and items. Improved online, Internet offerings and CRM methodologies may accomplish higher paces of customer fulfillment and maintenance.

Actually, the Intranet arrangement gives extensive online assistance to the bank's decentralized work environment systems. It can handle representative related information (pay scales, advancements, administration rules, training material, and so on.) just as bank explicit information (handouts, arrangements, archives, guidelines, plans, items, administrations, and so on). Form control winds up simpler as information can effectively linked crosswise over classes. The expenses of producing, accessing and distributing information decline while the degree of precision and timeliness of information increases drastically. Banks should be set up for a few intra-bank applications and inter-bank exchanges on the Indian Financial Network (INFINET) through Structured Financial Messaging System (SFMS), Centralized Funds Management System (CFMS), Negotiated Dealing System (NDS) of the Public Debt Office and Real Time Gross Settlements System (RTGS). SFMS is an answer that empowers banks to send verified multi-layered financial and non-financial messages over the INFINET. The INFINET itself is a shut client gathering network that utilizes Very Small Aperture Terminals (VSATs) and high-bandwidth earthbound rented line communication links to give a safe, dependable and across the nation communication spine for the selective utilization of banks and financial institutions in India. Banks and financial institutions will utilize the assigned messages for a wide scope of utilizations – straightforward messaging, EFT (retail, RTGS), ECS, electronic debit, online trading in government securities, concentrated finances inquiry, anyplace/whenever banking, inter-branch compromise, and so forth.) through INFINET. The Institute is overseeing INFINET for Development and Research in Banking Technology (IDRBT), Hyderabad.

## Conclusion:

IT is the highlight of an effective bank's business model. Banking technology expects to streamline forms, cut expenses, eliminate human mistake, speed things up and help productivity. The rise of new conveyance stations and intermingling of center banking business and IT, new administrations like Tele banking, e banking, doorstep banking and other new ways to deal with banking, for example, automated self-banking focuses have changed the essence of the banking business. These customer-accommodating aspects of technology have constrained their way into banking because of cost adequacy, customer comfort and saw esteem. During these testing times, Darwinian banking is inevitable. A bank's capability to overhaul itself and advances always alive to market changes, adjust mindsets, and incorporate flexibility with its systems will determine its survival and development. Numerous Indian banks are yet to gain alluring ground in implementing technology and apparatus up to stand up to the difficulties presented by fast changes that are sweeping the banking sector comprehensively. While a few banks are using technology for basic leadership, customer esteem creation, successful supervision and control, others have to a great extent utilized technology mainly for everyday level tasks. Less banks have stepped up to the plate of entering into key partnerships with technology specialist co-ops and less still have key technology intends to quicken the degree of technology retention. Banking technology ought to have the option to enhance the endeavors of bank managements in tiding over business challenges. The issues that should handled by bank managements are changing with changes in nature and technology. The brokers' mindset towards different parts of banking technology should change fundamentally for survival of banks later on. Steady leveraging of most recent technology and introducing innovative financial items/benefits that yield competitive favorable circumstances will be the guiding elements for survival of any financial institution in the 21st century.

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