

INNOVATIVE BANKING SERVICES

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Added Responsibilities of Banks Today

- ▣ At the beginning of the 21st century, the biggest banks in the industrial world have become complex financial organizations that offer a wide variety of services to international markets and control billions of dollars in cash and assets.
- ▣ Supported by the latest technology, banks are working to identify new business niches, to develop customized services, to implement innovative strategies and to capture new market opportunities. With further globalization, consolidation, deregulation and diversification of the financial industry, the banking sector will become even more complex.
- ▣ Furthermore, the modern banking industry has brought greater business diversification.

Competitive Divisions of Banking Today

- ▣ Commercial banking - banking that covers services such as cash management (money transfers, payroll services, bank reconciliation), credit services (asset-based financing, lines of credits, commercial loans or commercial real estate loans), deposit services (checking or savings account services) and foreign exchange;
- ▣ Investment banking - banking that covers an array of services from asset securitization, coverage of mergers, acquisitions and corporate restructuring to securities underwriting, equity private placements and placements of debt securities with institutional investors.

Developments in the New Millennium

- ▣ Over the past decade there has been an increasing convergence between the activities of investment and commercial banks, because of the deregulation of the financial sector. Today, some investment and commercial banking institutions compete directly in money market operations, private placements, project finance, bonds underwriting and financial advisory work.
- ▣ Some banks in the industrialized world are entering into investments, underwriting of securities, portfolio management and the insurance businesses. Taken together, these changes have made banks an even more important entity in the global business community.

Development of Internet Banking

- Internet banking involves consumers using the Internet to access their bank account and to undertake banking transactions.
- At the basic level, Internet banking can mean the setting up of a Web page by a bank to give information about its product and services.
- At an advance level, it involves provision of facilities such as accessing accounts, funds transfer, and buying financial products or services online. This is called ``transactional'' online banking.
- There are two ways to offer Internet banking.
- First, an existing bank with physical offices can establish a web site and offer Internet banking in addition to its traditional delivery channels.
- Second, a bank may be established as a "branch less, Internet only, or virtual bank" without any physical branch.

(A). Levels of Banking services

- (i) The Basic Level Services use the banks' websites which disseminate information on different products and services offered to customers and members of public in general. It may receive and reply to customers' queries through e-mail,
- (ii) In the next level are Simple Transactional Websites which allow customers to submit their instructions, applications for different services, queries on their account balances, etc, but do not permit any fund-based transactions on their accounts,
- (iii) The third level of Internet banking services are offered by Fully Transactional Websites which allow the customers to operate on their accounts for transfer of funds, payment of different bills, subscribing to other products of the bank and to transact purchase and sale of securities, etc.

(B). Structure of Banking services

* A basic tier of Internet banking products includes customer account inquiry, funds transfer and electronic bill payment.

* A second or premium tier includes basic services plus one or more additional services such as

1) Brokerage. 2) Cash management. 3) Credit applications. 4) Credit and debit cards. 5) Customer correspondence. 6) Demat holdings. 7) Financial advice Foreign exchange trading. 9) Insurance. 10) Online trading. 11) Opening accounts 12) Requests and intimations. 13) Tax services. 14) E-shopping. 15) Standing instructions. 16) Investments. 17) Asset management services etc.

Traditional Vs. Internet Banking

- ▣ In traditional banking, the customer has to visit the branch of the bank in person to perform the basic banking operations viz., account enquiry, funds transfer, cash withdrawing etc.,
- ▣ On the other hand, E-banking enables the customers to perform the basic banking transactions by sitting at their homes or at offices through a desktop or laptop round the clock globally through electronic media. This is called any time, any where banking.
- ▣ The customers can access the banks' website for viewing their account details and perform the transactions as per their requirements. Customers can make use of these services with no restricted banking hours, no queues, no tellers and no waiting.

E-banking Transactions

Account Enquiry

Fund Transfer [RTGS AND NEFT]

Payment of Electricity, Water and Telephone bills

Online payment for transactions actually performed through Internet

Request for issuance of cheque books, demand drafts etc.,

Statement of accounts

Access to latest schemes

Access to rates of interest and other service charges

Models for E-Banking

- (i) Complete Centralized Solution (CCS)
- (ii) Cluster Approach
- (iii) High Tech Bank within Bank

Of the above three models, the Complete Centralized Solution (CCS) is the ideal branch network model on which E-banking activities can be implemented uniformly and efficiently. Under this model, the bank has to provide web-server and the requisite software which is connected to the main server. The customers can access the web server for their basic banking operations using any standard browser at any location.

Features of Complete Centralized Solution

- ▣ (i) The entire system software, data for the entire bank etc., are stored in a centralized server with its hot standby server being placed at a different location and connected through high speed and efficient network.
- (ii) Branches are provided with online nodes to receive requests from customers and to provide services across the counter.
- (iii) The nodes provided at remote branches are connected through effective satellite links with enough redundancy to provide reliability as well as adequate bandwidth.
- (iv) Skilled manpower is required only at the centralized location

Innovative Internet Banking Services

- ▣ Round the Clock Banking
- ▣ Low Cost Banking
- ▣ Convenient Banking
- ▣ Profitable Banking
- ▣ Quality Banking
- ▣ Speed Banking and
- ▣ Service Banking

So innovative banking services today brought about a sea change to the ultimate benefit of the customers.