

# CLOUD COMPUTING IS TRANSFORMING BANKING SECTOR

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**Abstract:** Cloud computing is a process for deliver information technology (IT) forces in which property are retrieved from the Internet through web-based tools and application, as disparate to a direct connection to a server. Cloud computing is a type of computing that relies on shared computing funds rather than having local servers or personal devices to handle applications. In its most simple description, cloud computing is taking services ("cloud services") and affecting them outside an organization's firewall. Cloud computing is a computing term or metaphor that evolved in the late 2000s, based on value and spending of computing resources. Cloud computing involves deploy groups of secluded servers and software networks that allow federal data storage and online access to computer services or resources. The research contributes to the application of new technology cloud computing embracing in the high-tech industry through the use of a wide range of variables. The findings also help firms consider their information technologies investments when implement cloud computing.

**Index Terms:** Banking Sector, Cloud banking, Information Technology, Automatic Teller Machine, Core banking.

## I. INTRODUCTION

Major transformation is creeping in, when measured the Indian Banking sector. Economic growth and overall growth in banking industry is expected to be boost by end of 2015. Innovation and operation of technology has created awareness in this sector and many have already been moving towards up progression of system for technological advancement.

Banks like HDFC, ICICI, and AXIS and many others are soon launching contact-less credit card with Near Field Communication (NFC) technology, it specifies that we could now make easy transactions without insertion or swiping of cards, now that sounds cool. Well! If banking in India is making so many improvements it is not anyway behind in its step towards Digital India. I hope you have seen my previous post on Digital India.

Abandoning traditional banking methods now this sector is making a new turn, Cloud computing technology in banking sector is also on the rise. Previously it was reluctant to readily embrace innovations in India, but after the awareness and elucidation of related myths, it has been seen that Cloud is becoming favorite amongst banking industry. Their exchanges are more inclined towards innovative approaches to lead improved client service, operational efficiencies and revenues. Cloud computing accolades with this approach and it has been seen that it is making a spread in this industry. In 2014, it was noticed that Cloud use and valuation got doubled than in 2013 in this sector applications, 81 % of organizations forecasted an initiation towards cloud for more than 50% of their future transactions.

## II BANKING ON THE CLOUD

The 'digital ecosystem' contiguous a bank today is report at a speed never seen before. The reason for this is two-fold. First, regulars are primary the way, forcing banks to offer what they want. Secondly, with consumers agreement a mobile lifestyle and socialize on digital platform, they expect banks to connect with them on the same platforms.

Banks are in search of to change their creation assistance, channels and customer service to return the difficulty of the change consumer - connected, impatient, empowered and serious services that meet their personality and social needs. For this, banks need to incorporate industry process with advanced methodical capability driving permanent refinement to processes, services and products in real-time.

These tectonic shifts, which include facets such as mobile banking through Near-Field Communication (NFC) or mobile wallets and geo-localization, will define the banking skill over the next 5 to 10 years.

Banks are all the time more relying on the power of the cloud to achieve their objectives and direct current market challenge. The shifts are happening in phase, now and then in parallel, through distinct acceptance curves in course and difficulty. The three energy of cloud adoption by banks that we see are as follows:

Taking non-core operation to the cloud acceptance of cloud model usually has maximum impact in the parts of the value chain where there is smallest discrimination. Cloud computing can provide banks with new lower-cost operating models thanks to greater computerization, virtualization and a substantial scale-out option with the ability to subcontract a number of non-core performance.

Potentially, it is possible for all non-core banking data in the country to be virtualized within a federate cloud that has the needed safety levels to meet conformity wants. This way, banks can be sure of where their data is located and also ensure overview of their back-office processes such as e-mail, office/workforce efficiency, interior relationship, not directly involving sensitive customer data. These cloud services can be also be extended to activities such as check clearing, credit card processing, procurement and HR processes.

Single-tenant private clouds certify security currently, banks are still unwilling to entrust sensitive customer and financial data to third-party public cloud services providers. Data privacy and regulations also exclude storage and dispensation of customer data exterior national borders. Banks are also wary of the potential pressure such as breach of retreat due to brief outages in ATM operations, fraud monitoring or credit card processing. However, present-day banks have proved to be more willing to integrate single-tenant cloud solutions into their core banking activities.

This new normal will challenge banks' established ways of translate their dealing desires into IT solutions. It will also noticeably reform the role of IT and require a new supremacy model, skills, behaviors and ways of sourcing IT communications. Irrespective of the model, cloud computing will help banks to break down active silos, decouple physical from practical IT and disconnect construction from division - to boost dealing quickness and customer sensitivity.

Social media to convert consumer banking Core banking products such as scrutiny account are more and more undifferentiated. The real discrimination lies in the price and bundle for consumers. Some banks might locate their product engine in a cloud, while retain a unique and complicated bundle capability that pulls together and combines cloud-based components in approachable, combined and dynamic bundles relevant to specific customers. Cloud-enabled digital wallets carrying a range of different services on smart phones is another high-potential area, although this will require agreements with various Telco's over customer ownership.

As banks become more customer-centric, they will invest in social media tools and create social activity strategy to connect with their audience and get insight into their private social profiles. This in turn can then intermingle with the banks' own customer/transaction information and other public, location and web behavioral data to get a 360-degree view of the customer. This, in turn, enable banks to cause and deliver applicable offer on a timely - even real-time - basis via the customer's chosen channels.

Cloud enable new and bundle services to be rolled out quicker and approximately every bank stands to gain major benefits whether by partnering with cloud-based providers or on a stand-alone basis. The future holds a lot of promise. For instance, banks in emerging markets can use cloud computing to reach their unbanked populations by leap-fogging physical branch networks and moving straight to electronic and mobile banking.

### III CLOUD COMPUTING IN BANKS

In last decade, Banks have observed transformation of banking experience end customers led by Information Technology (IT) enabled solution and services such as Core Banking, Internet Banking, Mobile Banking, Wallet, Cards and Kiosk Banking. Both banks and their customers are benefitted by the evolution of IT in banking sector. The business models of Banks are now oriented around achieving customer delight through IT enabled solutions and services.

A big slice of Banks' annual budget is now being allocated to their IT department. To meet the demand of regulatory and customer satisfaction banks need to spend more on procuring and maintaining IT Solutions, IT hardware, system software and Networking. Banks with lesser financial background find difficulties to meet the desire level of IT Implementation due to higher capital expenditures.

Cloud computing can help banks to lower the capital investment in IT infrastructure. Cloud computing convert big capital expense into smaller operational expenses. Worldwide not only smaller banks but larger banks too are now perceiving vision to adopt cloud-based IT solutions to control the expenses on IT infrastructure.

Cloud technology enables banks to adopt a new model at lower cost for delivering innovative channels, reduced TAT to market new offering, meeting customer expectation and comply regulatory guidelines. Cloud based solutions deliver a higher value proposition of IT solutions and services in rapidly changing technical paradigms.

In cloud computing, system admin can remotely assemble, install, configure and deploy virtual resources to run the business solution. Moreover, cloud IT infrastructure can be expanded or reduced at any time based on the expected utilization and requirement without any astonishing financial burden.<sup>1</sup>

### IV CLOUD COMPUTING WILL HELP BANKS TO MEET THE FOLLOWING BUSINESS CHALLENGES:

- Cloud computing converts Capital Cost into Periodical Operational Cost thus regulate cash outflow.
- Bank can afford the required solutions at lower cost in "Software as a Service" model to comply the regulatory requirements.
- Cutting down capital investment on IT infrastructure will reduce the capital inadequacy of the Bank.
- Bank can save 3Ms (Man, Minutes and Money) by implementing cloud computing and utilize these in new business opportunities.
- Banks on cloud computing are better prepared to economic uncertainties, environmental changes and shift of customer expectations.

In India, the newly licenses Small Finance Banks and Payment Banks are proactively embracing cloud computing for their core and surround banking solutions. It is not only helping them to reduce the capital expenses to start the business but also aiding flexibility to scale the infrastructure in future based on the growth of the business.

Nelito is offering its core banking, financial inclusion, KYC and other surround solution on cloud. Cooperative Banks, UCBs, PACS, Credit Societies and NBFC can use these cloud-based solutions and reap the benefit of cloud computing. Nelito provides the complete spectrum of services with regards to cloud, our services comprise of consulting, architecture setup, designing, implementation, and monitoring.

<sup>1</sup> <https://www.nelito.com/blog/cloud-computing-in-banks.html>

We empower businesses by accelerating innovation, and providing business agility while optimizing costs. Comprehending the constant need to experiment and innovate. We offer development across Software-as-a-Service (SaaS) for enabling customer to leverage the benefits of Cloud.

## V REASONS THAT CLOUD COMPUTING IS TRANSFORMING BANKING SECTOR

Undeniably many factors are involved when it comes to Cloud implementation; making a host of advantages, Cloud makes a big hit in banking segment. Key benefits are:

### 5.1 Reduced costs

No additional investments in management of resources required in banking for carrying data. Cloud makes it easy to invest in required resources by eliminating the cost attached with dedicated hardware and software. Cloud's Pay-as-you-go model makes out more results with less investment; it also provides shared application services on demand.

### 5.2 Improved flexibility

In order to sustain in the changing market, it is must to shape technology usage according to the changes and create room in changing demands to sustain in market. Cloud provides this flexibility to survive and respond quickly with customer needs and market changes.

### 5.3 Auto scalability

On demand cloud services enables the scaling of resources as per requirement. Resources can scale up and down according to the requirements. Cloud is the world's first auto-scalable smart cloud that makes out this in most efficient way to provide with maximum benefits to the customers.

### 5.4 Improved operational efficiency and Business agility

Cloud enabled increased centralized management of data and reduced complexities allied with changes and increase in data. It facilitates with maximum scope for the future technological evolution in business, being flexible. Cloud for Banking provides a maximum productivity of banking operations. Businesses can focus more on services than on IT with Cloud adoption, this will make a ground for Business agility with improved operational efficiencies.

### 5.5 Efficient client service

Cloud will ease the activities related to banking for clients, customized and efficient solutions can be provided with faster access. Clients can leverage centralized approach with cloud that would disable the loophole of technologies for banks and clients, transactions will be made smoother and risk free.

### 5.6 Business Continuity

Cloud computing services will make it possible to gain higher securities in data critical sector like BFSI, providing Disaster recovery solutions and complete fault tolerant system. It will facilitate the high level of redundancy in lower prices than it is provided with traditional dedicated Disaster Recovery services. Cloud will make a new hype in coming years in Banking and other financial sectors. You could checkout this info graphics on BFSI vertical's evolution with cloud to know the current BFSI inclination towards Cloud.<sup>2</sup>

## VI CONCLUSION

This root document "Cloud Computing: Transforming IT" will not only answer these questions, but also serve as the basis for Burton Group's cloud computing coverage by defining the cloud (and associated terms), demonstrating a cloud tiered architecture, examining business and usage models, and describing cloud benefits and pitfalls.

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