THE FUTURE OF BANKING – THE ROLE OF INFORMATION TECHNOLOGY

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ABSTRACT:This article analyses how information technology is transforming individual banks and the entire banking industry.Even though the basic economics of banking have not changed , ITdevelopments may lure banks into transaction banking due to IT – driven cost efficiencies.Howeverbanks should not given up on relationship banking .Instead banks need to adjust themselves to consumers new prefercences for IT –driven products and use IT developments to reconfigureor even reinvent relationship banking .Drastic changes are also imminent in banking due to the entry of FIN TECH startups and IT companies in traditional banking business

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- Introduction
    - Information technology is rapidly entering the traditional banking business.Recent survey among us bank managers reveals that 47% of them discuss technology at every board meeting . Three quarters of them worry about competion from unregulated non – bank companies.See Apple , walmart , peer –to –peer ,lenders google , paypal, amazon and facebook as a formidable threat among non bank competitors.IT developments will drastically change the way banking business is done .Banks may be lured into investing in IT technologies that create cost efficiencies we argue that relationship banking may still be the right path ahead. Human decision making still has an advantage over computers in an uncertain environment weakened by information problems.
    - There bankers might still prevail in a struggle with artificially intelligent systems.In this view IT , should be used to increase relationship banking.Banks can use new technology to acquire additional information about their clients and to empower their customers.

- CHANGING CUSTOMER PREFERENCES
- Despite the enoromously complex regulatory framework , banks are aware that their primary role is to serve their customers are changing quickly . They want inexpensive service that is tailor –made to their needs and accessible anywhere and at anytime.They want a perfect multichannel experience. Bank customers want to be empowered to make their own decisions .Interaction is important.
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- TRANSFORMATIONAL EFFECTS OF INFORMATION TECHNOLOGY ON A BANK

Information technology developments have resulted in unprecendented transfer through the internet allows for permanent connectivity.Vast data make possible low cost data mining potentially through cloud computing and based on open source software fast algorithms are becoming smarter due to strong improvements in artificial intelligence.Evidence shows that IT developments create substantial cost savings especially in several areas of transaction banking .A bank can achieve economies of scale in payment processing and cleaning and settlement systems .Electronic payments such as credit and debit cards , e money purchases and mobile payments are replacing paper based payments online access channels create further cost savings .

DECISION MAKING

- IT developments have also led to automated decision making in bank lending. Several transaction lending techniques such as financial statement ,lending small business credit scoring asset based lending factoring and fixed asset lending allow banks to gather combine and use a vast array of quantitative information about their clients one may worry that artificially intelligent computer programs may surpass humans in credit assessment of bank customers can automatized decision making in transaction lending technologies make human decision making based on the soft information present in relationship banking obsolete.
- CHALLENGES FOR THE BANKING INDUSTRY
- IT developments have expanded the markets increased competition in banking and resulted in several new competitors.FINTECH startups are emerging but alreadyestablished IT companies are also entering the traditional bankingbusinesses.
- THE ROAD AHEAD FOR BANKS
- IT has been seen IT developments are drastically reshaping the notion of what banks are and what they do.IT platforms for matching such as peer –to –peer lending have provided a substitute for the brokerage function of banks particularly important in transaction banking.Banks are crucial fot smooth operation of the real economy.The global financial crisis presents a prime example of how important stability in banking is and in particular how broad the negative externalities of bank failure are.Negative externalities of bank failures call for an extensive safety net in banking ranging from deposit insurance , centralbank intervention policies and government support or even bailout to outright nationalization of failed banks.The recent regulatory overhaul upgraded the capital regulation framework and established a new liquidity regulation framrwork but also resulted in further focus on structural reforms

CONCLUSION

- Traditional banks might certain a competitive advantage in relationship banking that is when dealing with soft and proprietary information about their clients .Such information is gathered through long term co-operation with clients through various products and access channels banks might still be more trusted with money and sensitive proprietary business information than the IT or FIN TECH companies .FINTECH companies might be great innovations this is not to say that banks should avoid IT developments .

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