

Emerging Trends in Banking Sector - Impact of Information Technology on Accounting Practices.

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ABSTRACT

Over the years, the Banking Sector in India has seen a number of changes. Most of the banks have begun to take an innovative approach towards banking with the objective of creating more values for customers and consequently the banks. E-Banking enables the people to carry out most of their banking transactions using a safe website which is operated by respective banks. Various Innovations in Banking and Financial Sectors are ECS, RTGS, NEFT, EFT, ATM, Retail Banking, Debit and Credit cards and many more. With the emergence of Privatisation, Globalisation and Liberalisation in India, Banks are focusing on Research and Development and applying various innovative ideas and technology. There is a close relationship between the development of banking sector and the new innovations in technology and Electronic data processing. The present article focuses on the benefits and challenges of changing Banking trends and to study the performance of existing technology based products and services being offered by Banks in India and their future prospects as well as the advancement of banking sector by information technology.

Key words: Information Technology on accounting practices in banking sector

1. Introduction

Banking sector is one of the most advanced Information Technology users all over the world and has set few standards of its own to guide development and deployment of Information Technology in the industry. The technology has changed the way of banking works and individual depositors have already benefited from the competition amongst banks. Although corporations play an extremely important role, banking industry has not been equally responding to their needs. It has been partly because of the technologies already developed within the banks partly because of the huge costs associated with offering such tools to corporations.

India has considerable number of users of the technology services the banking sector, in particular, has been an extensive user of Information Technology for improving efficiency and customer service with the introduction of new technology oriented services. Information Technology in banking has brought about substantial changes in the functioning all over the world. Use of it has become vital and integral part of the day-to-day operations and functions of the banks.

Accounting software describes a type of application software that records and processes accounting transactions within functional modules such as accounts payable, accounts receivable, general ledger payroll and trial balance. It functions as an accounting information system. Accounting software may be online based, accessed anywhere at any time with any device which is internet enabled or may be desktop based. It varies greatly in its complexity and cost.

2. Review of Literature

“**Shirzad Amiri**” “**Nikzad Amiri**”, he stated that the emergence of information technology and its applicability in accounting practice has come with globalization. The applicability of new information technology has led to changes in integrated systems like enterprise resource planning and internet with its wide spread of usage have changed companies' knowledge. Organizations are relating to a wide range of its through different practices with proportions of opportunities and bottlenecks faced. Furthermore, the changes of an organization with the introduction of information technology on performance of management accounting and to recognize to what extent the spread of information technology empowers the accounting practice.

“**Francis pol C**”, he analyses that information technology has impacted the accounting process in a very good way. It is difficult to find anybody doing manual accounting with paper and pen in these days. Since accounting is about dealing with business information, any advance in the area will have a positive impact in the accounting department from the old days of the battery-operated calculator to the fast computers of today. Hence, with the touch of information technology, it can enhance speed and accuracy of computation as well as to enhance its flexibility to change and safety storage of information.

Prof. M.S. Yadav, explains that information technology has carved all the aspects of modern day activities ranging from small to medium and medium to large applications and operations. The trends of human-centric systems which are more common and popular at times are now slowly and gradually diminishing from our public and private establishments. Impact of information technology on modern accounting systems includes, money saving, time saving, communication, global financing, economic efficiencies, accuracy, improved internal and exchange reporting, flexibility, reduction of paper usage, graphics software, faster processing, storing and protection of information.

“**Akabam- Ita asuquo**” described the increasing rate of computer-based financial crime has created a huge demand for the skills and services provided by forensic accountants in the country. Forensic accountants are specialized individuals who use information technology to gather and analyze evidence pertaining to them. Investigate the impact of emerging information technology on forensic accounting activities in state. The result of the study revealed that accounting professionals need to enhance their knowledge and skills of

computerised accounting systems for the purpose of planning directing, supervising and reviewing the work performed.

3. Statement of the Problem

The technology in banking is changing the banking industries and is having the major effects on banking relationships. Banking is now no longer confined to the branches **we** one has to approach the branch, the person to withdraw cash or deposit a cheque or request for statement of accounts. In technology in banking any enquiry or transaction is processed in technology services without any reference to the branch at any time. However, banking industry not working up to the most due to money problems like technology services of the bank does not properly utilized by the rural peoples, illiterate people. They do not know how to transact with the technology services of the bank.

4. Objectives of the Study:

- To study the present information technology software solutions in banking accounting system.
- To study the present impact of updated information technology on contemporary accounting systems.
- To analyse the performance of existing technology based products offered by the banks in India and its future prospects
- To know the opinion of the customers about settled services of Syndicate Bank associated with its advanced technological services.

5. Scope of the study

The scope of the study confined to technology in banking with the reference to “Syndicate Bank” Shivamogga. The study covered certain aspects relating to technology services to get the clear picture about the bank and its services, specifically by dealing particular technology services used by customers in their normal course of action such as Personal and Corporate online banking, NEFT, RTGS, ATM, and Mobile Banking.

6. Methodology

The present review paper is based on the primary and secondary data. It analyses the available literature on Banking technology and its role in various existing and upcoming innovative products offered by banks in India. The primary data is taken through survey by conducting in the surrounding of Shivamogga District and The Secondary data pertaining to the study was obtained from the various journals, books, newspapers and websites of the concerned Banks.

7. Sample design

For the purpose of the study 50 respondents are selected. Sample unit includes 20 respondents who are employees of Syndicate Bank in Shivamogga by using convenience sampling and remaining 30 respondents are customers of the bank for which Random sampling method has been used.

8. Statistical Tools and techniques-

The present study uses tables, charts, graphs, figures and diagrams for analysing and interpreting the collected data

9. Recent Trends in Banking

Banking environment has become highly competitive today. A development in the field inclusive of information technology strongly supports the growth and inclusiveness of the banking sector by facilitating inclusive economic growth. IT improves the front end operations with back end operations and helps in bringing down the transaction costs for the customers. Major events in the field of IT in banking sector in India are:

- ✓ Introduction of ATMs in 1987.
- ✓ Card based system in late 1980's and 90's.
- ✓ Electronic Clearing Services (ECS) in early 1995.
- ✓ Electronic Funds Transfer (EFT) in early 2000.
- ✓ Introduction of RTGS in 2004.
- ✓ National Electronic Fund Transfer (NEFT) in 2005 by replacing EFT.
- ✓ (CTS) in the year 2008.
- ✓ The Payment and Settlement Systems Act passed in December 2007.
- ✓ Online banking.
- ✓ Mobile banking.

Automatic Teller Machine (ATM)

Automatic Teller Machine is the most popular devise in India, which enables the customers to withdraw their money 24 hours a day 7 days a week. It is a devise that allows customer who has an ATM card to perform routine banking transactions without interacting with a human teller. In addition to cash withdrawal, ATMs can be used for payment of utility bills, funds transfer between accounts, deposit of cheques and cash into accounts, balance enquiry etc.

Electronic Clearing Service (ECS)

Electronic Clearing Service is a retail payment system that can be used to make bulk payments/receipts of a similar nature especially where each individual payment is of a repetitive nature and of relatively smaller amount. This facility is meant for companies and government departments to make/receive large volumes of payments rather than for funds transfers by individuals.

Real- Time Gross Settlement (RTGS)

Real time gross settlement are specialist funds transfer systems where the transfer of money or securities takes place from one bank to another on a “real time” and on a “gross’ basis. Settlement in “real time” means a payment transaction is not subjected to any waiting period, with transactions being settled as soon as they are processed. Gross settlement” means the transaction is settled on one-to-one basis without bundling or netting with any other transaction. “Settlement” means that once processed, payments are final and irrecoverable.

RTGS systems are typically used for high –value transactions that require and receive immediate clearing. In some countries the RTGS systems may be the only way to get same day cleared funds and so may be used when payments need to be settled urgently. However, most regular payments would not use a RTGS system, but instead would use a national payment system or network that allows participants to batch and net payments RTGS payments typically incur higher transaction costs and usually operated by a country’s central bank.

National Electronic Funds Transfer (NEFT)

NEFT is an electronic funds transfer system maintained by the reserve bank of India (RBI). Started in November 2005, NEFT is a facility enabling bank customers in India to transfer funds between any two NEFT – enabled bank accounts on a one-to-one basis. It is done via electronic messages. Unlike Real-time gross settlement (RTGS), fund transfers through the NEFT system do not occur in real-time basis. NEFT settles fund transfers in half – hourly batches with 23 settlements occurring between 8:00 AM and 7:30 PM on week days and the 1st, 3rd and 5th Saturday of the calendar month. Transfers initiated outside this time period are settled at the next available window. No settlements are made on the second and fourth Saturday of the month, or on Sunday’s or on public holidays.

Detailed Process of NEFT is as Follows

- ❖ Customer fills an application form providing details of the beneficiary (like name, bank, branch name, IFSC, account type and account number) and the amount to be remitted. The remitter authorises his/her bank branch to debit his account and remit the specified amount to the beneficiary. This facility is also available through online banking and some banks offer the NEFT facility even through the ATMs.
- ❖ The originating bank branch prepare a message and sends the message to its pooling centre (also called the NEFT service centre).
- ❖ The pooling centre forwards to the NEFT clearing centre (operated by national clearing cell, Reserve Bank of India, Mumbai) to be included for the next available batch.
- ❖ The clearing centre sorts the funds transfer transactions destination bank- wise and prepares accounting entries to receive funds from the originating banks(debit) and give the funds to the destination banks through their pooling centre(NEFT service centre).

The destination banks receive the inward remittance messages from the clearing centre and pass on the credit to the credit to the beneficiary customers’ accounts national electronic fund transfer.

Mobile Banking

Mobile banking is a service provided by a bank that allows its customers to conduct financial transactions remotely using a mobile device such as smartphone or tablet. Unlike the related internet banking it uses software, usually called an app, provided by the financial institution for the purpose. Mobile banking is usually available on a 24-hour basis. Some financial institutions have restrictions on which accounts may be accessed through mobile banking, as well as a limit on the amount that can be transacted.

Internet Banking Services

The bank is now accessible to customer from customer home, office or while on the move. A mere touch of a button on computer makes available to a host of banking services. The user guide printed alongside will help make the best use of this facility. Internet banking is an electronic payment system that enables customers of a bank to conduct a range of financial transactions through the financial institution's website. The internet banking system will typically connect to or be part of the core banking system operated by a bank and is in contrast to branch banking which was the traditional way of customer accessed banking services.

10. Innovative Products and Policies of Banks

- “My Saving Rewards”, the programme allow customers to accumulate reward points on a host of savings account transactions such as bill pay, online shopping, EMI payment etc.
- 24x7 fully electronic branches are opened to undertake real time transactions by the customer.
- “E-Locker”, an online service for storing important documents for privilege banking customers.
- UID authentication for Aadhaar based payments and enabling corporate to pay taxes online.
- Cash Deposit Machines (CDMs) are installed for cash deposits by customers at these machines by using their ATM cum Debit card.
- Recently launched scheme of government “Jan Dhan Yojana” with the motive that every family must have a bank account

11. Data Analysis and interpretation

11.1. Demographic profile of respondents -In order to collect data two sets of questionnaire has been distributed one to the customers and another to the workers of bank. Questions were asked to the respondents about their age, educational qualification, income, occupation, work experience, Marital Status and the result obtained is majority are male who fall in the age category of below 30 years, most of them are graduates and business is their occupation and majority of respondents are married.

11. 2. Explanatory information

11.2.1. Opinion of rating about technology on accounting in banking

[NR – No. of Respondents]

[Excellent – I, Good – II, Average – III, poor – IV, Very poor - V]

SL No	Services	Ranks given											
		I		II		III		IV		V		Total	
		NR	%	NR	%	NR	%	NR	%	NR	%	NR	%
1	Timely information	18	60	12	40	0	0	0	0	0	0	30	100
2	Prevention of errors	9	30	15	50	5	16.67	1	3.33	0	0	30	100
3	Information provisions	14	46.67	12	40	3	10	1	3.33	0	0	30	100
4	Effective communication	11	36.66	14	46.67	5	16.67	0	0	0	0	30	100
5	Security of information	14	46.67	12	40	4	13.33	0	0	0	0	30	100
6	Storage of information	14	46.67	12	40	4	13.33	0	0	0	0	30	100
7	Cost of savings	15	50	8	26.67	6	20	1	3.33	0	0	30	100
8	Information processing	12	40	16	53.33	2	6.67	0	0	0	0	30	100

Source: (Field survey)

From the above table it is clear that, out of 30 respondents, 60% of the respondents are opined that the technology is providing timely information is excellent by giving a Rank – I, 40% of the respondents are opined that the technology is providing timely information is Good by giving a Rank – II,

Among 30 respondents, 30% of the respondents are opined that the technology is causes prevention of errors information is excellent by giving a Rank – I, 50% of the respondents are opined that the technology

is causes prevention of errors information is good by giving a Rank – II, 16.67% of the respondents are opined that the technology is causes prevention of errors information is average by giving a Rank – III, 3.3% of the respondents are opined that the technology is causes prevention of errors information is poor by giving a Rank – IV.

Among 30 respondents, 46.67% of the respondents are opined that the technology is used for information provisions is excellent by giving a Rank – I, 40% of the respondents are opined that the technology used for Information provisions is good by giving a Rank – II, 10% of the respondents are opined that the technology is used for Information provisions is average by giving a Rank – III, 3.3% of the respondents are opined that the technology is Information provisions is poor by giving a Rank – IV.

Among 30 respondents, 36.66% of the respondents are opined that the technology is used for Effective communication is excellent by giving a Rank – I, 46.67% of the respondents are opined that the technology used for Effective communication is good by giving a Rank – II, 16.67% of the respondents are opined that the technology is used for Effective communication is average by giving a Rank – III.

Among 30 respondents, 46.67% of the respondents are opined that the technology is used for Security of information is excellent by giving a Rank – I, 40% of the respondents are opined that the technology used for Security of information is good by giving a Rank – II, 13.33% of the respondents are opined that the technology is used for Security of information is average by giving a Rank – III.

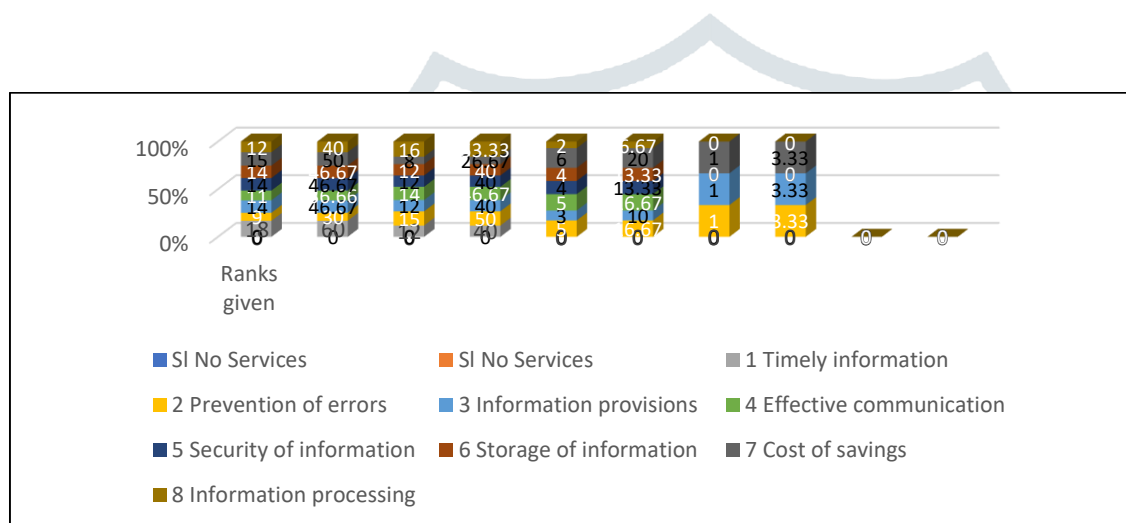
Among 30 respondents, 46.67% of the respondents are opined that the technology is used for Storage of information is excellent by giving a Rank – I, 40% of the respondents are opined that the technology used for Storage of information is good by giving a Rank – II, 13.33% of the respondents are opined that the technology is used for Storage of information is average by giving a Rank – III.

Among 30 respondents, 50% of the respondents are opined that the technology is used for is Cost of savings is excellent by giving a Rank – I, 26.67% of the respondents are opined that the technology used for Cost of savings is good by giving a Rank – II, 20% of the respondents are opined that the technology is used for Cost of savings is average by giving a Rank – III, 3.3% of the respondents are opined that the technology is Cost of savings is poor by giving a Rank – IV.

Among 30 respondents, 40% of the respondents are opined that the technology is used for information provisions is excellent by giving a Rank – I, 53.33% of the respondents are opined that the technology used for Information provisions is good by giving a Rank – II, 6.67% of the respondents are opined that the technology is used for Information provisions is average by giving a Rank – III.

Interpretation: It is interpreted that out of 30 respondents, opined in respect to technology in accounting in banking, firstly timely information in aspect to the timely information the respondents are opined that where

the excellent in technology on accounting in banking. In perspective to the prevention of errors the respondents are opined that is as similar to timely information, but services offered by the bank in respect to technology on accounting in banking is relating to good. Where coming to the information of provisions the respondents are opines that excellent services for the technology on accounting in banking. In respect of effective communication respondents are opines that good, security of information provided by the technology on accounting in banking Storage of information provided by the banking services the respondents are opines that excellent. In perspective of Cost of savings, the respondents are opined that excellent, and lastly for information processing services provided by the bank the respondents are opined that excellent services provided by the bank.



11.2.1 Opinion of rating about technology on accounting in banking

11.2.2. Customers’ opinion towards usefulness of technology on accounting system of Bank

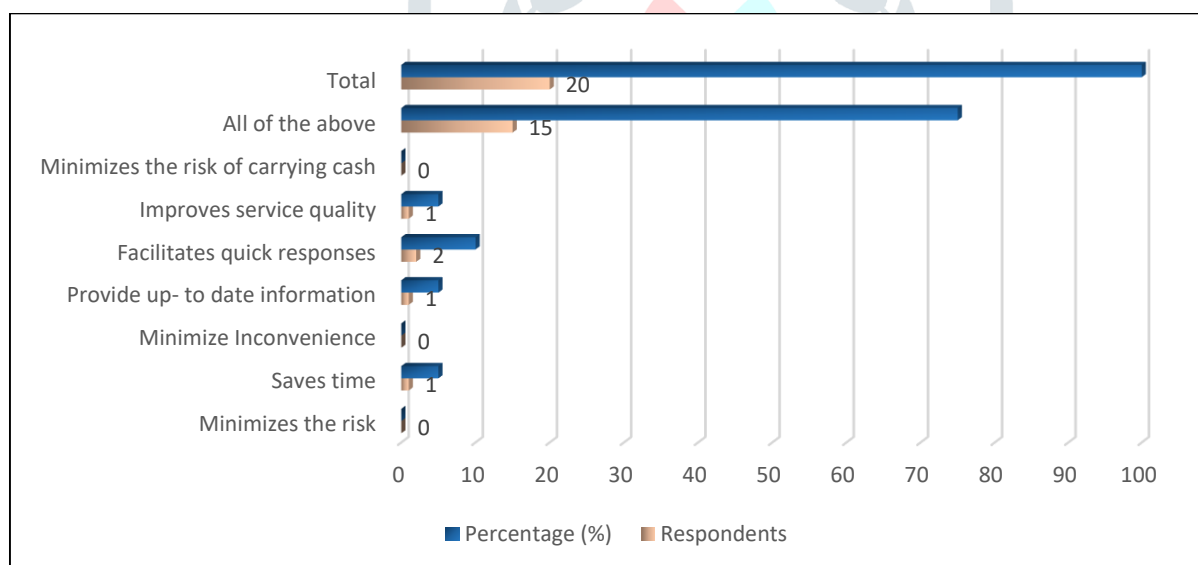
Particulars	Respondents	Percentage (%)
Minimizes the risk	0	0
Saves time	1	5
Minimize Inconvenience	0	0
Provide up- to date information	1	5
Facilitates quick responses	2	10

Improves service quality	1	5
Minimizes the risk of carrying cash	0	0
All of the above	15	75
Total	20	100

Source: (Field survey)

From the above table it is clear that, 5% of respondents are opined that technology on accounting in banks saves time, 5% of the respondents are opined that it provides up-to date information, 10% of the respondents are opined that it facilitates quick responses, 5% of respondents are opined that it improves service quality and 75% of the respondents are opined that the technology on accounting in banks is helpful for all the above stated reasons.

It is interpreted that, majority of the respondents are opined that the technology on accounting in banks is helpful for all the above stated reasons.



11.2.2. Customers' opinion towards usefulness of technology on accounting system of Bank

12. Findings:

- Private sector banks are contributing more to the success of banking technology.
- Customers felt that convenient services are more important than any other services provided by bank so it is called high in percentage.
- Both the customers and employees are agreed that technology in bank is helpful.

- Customers and employees are wilfully agreed that technology is more helpful than manual
- From the perspective both the customers and employees, are agreed technology on accounting system facilitates to get higher return by participating in advanced banking services.
- Technology helps banking services for both the employees and customers.
- By the using of banking technology, it helps to increase performance of the bank both the customers and employee's perspective.
- Constantly syndicate bank upgrading their website for the betterment to the customers.

13. Suggestions:

- It is constantly observing that syndicate bank is not offering them in-internet banking and advanced technology services to the rural areas so they have to give much more importance to the rural people.
- The many people complain that bank not provide adequate information about latest development of technology in respect of banking services, that's why, the bank should provide adequate information about latest development of technology in respect of banking services, it may help customers to take the benefits and it increases the satisfaction of customers.
- Most of the sample customers and ordinary peoples felt that they not have proper advertisement in respect of new development in banking services. That's why the bank should take proper steps to make proper advertisement about new deployments in banking services.
- All the age group of people must be come under banking technology services, but in this case, youths are more, so bank has to address this issue by concentrating on other groups
- By comparing with other private banks syndicate bank website is less so they have to promote their internet banking facility in high note.
- Syndicate bank has sustained its customers to the update of new online banking products and services.
- Public sector banks are not given much importance to their online banking services so they have to be concentrate on fastening their e-banking facility like mobile banking etc....
- With the development of smart phones customers are more preferable of using their banking services in mobile phones so the development of using banking technology services in a high speed.
- The bank should formulate right policies and strategies to spread the message about technology services to their customers, it may help customers educate and helps them to utilize available technology services properly and also take awareness about fraud
- The technology services of banking have many risks; therefore, the bank should take proper steps to minimize the risk it may help to increase the confidence of customers.

14. Conclusion

Banking business has been an important part of economy in general and business in particular as a matter of fact, banking has widened its services from traditional area to a number of sophisticated areas like technology banking, computerisation, real time gross settlement, mobile banking Aadhar seeding, Aadhar authentication, mobile banking, tab banking ATM etc, Whatever may be the area, banks grow successive only when their activities are customer oriented they should be aware of customer demands. Likes and dislikes aspirations etc, further they should know which should have been achieved. As a small unit, the bank has developing in a successive way by providing more number of technology services of the give most importance to excellent services followed by brand name. Therefore, there should be continuous research programmes.

The information technology affects the accounting process in several ways. First, the accounting methods and knowledge of the business and industry has increased to ensure reliability and relevance documents, reports, and data. Second, the accountant has to better understand the flow of transactions and related control activities to ensure validity and reliability of information.

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