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Research Paper

INNOVATIVE BANKING PRACTICES BY INDIAN BANKS: A STUDY OF STATE BANK OF INDIA

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ABSTRACT

The term Innovation means to make something new. Innovation is introduction of a new good, introduction of new method of production, the opening of a new market, the conquest of a new source of supply, carrying out of the new organization of any industry. Indian Banking Sector has witnessed a numerous changes from decades. Value creation is an essential element in present era as market is buyer oriented. Most of the banks have introduced innovative techniques in banking in order to create value for customers and to add more and more customers in its network. In this paper we have discussed the various products & services offered by State Bank of India. SBI is a pioneer in providing various IT services. The research methodology adopted for this study is descriptive research study. The primary data is collected through interaction with the local branch managers of SBI and with the staff dealing with the IT services of the Bank. The secondary data is collected to substantiate the primary data. The various brochures, reports on IT of SBI, and the related articles of the relevant topic were referred for the study.

KEYWORDS: Information Technology, Innovative Banking, State Bank of India, IT Services

I. INTRODUCTION

Indian Banking Sector has witnessed a numerous changes from decades. Value creation is an essential element in present era as market is buyer oriented. Most of the banks have introduced innovative techniques in banking in order to create value for customers and to add more and more customers in its network. Since independence Indian banking has undergone a huge transformation in the years.

The tremendous changes were particularly high in the 1990s and 2000s, when the introduction of innovations changed the facet of banking the way it was perceived as a result of induced and autonomous requirement of the environment. In the 1990s, when liberalization, privatization and globalization policies

introduced the banking sector in India pronounced larger emphasis placed on innovation and technology. Banks started to use innovative technology to provide better quality of services at fast speed. Information technology has made it possible and convenient for customers to perform their banking activities from diverse places which was not possible earlier and to an extent remain uncovered. Out of all others banks State Bank of India is the largest public sector bank to become first bank that introduced the concept of information technology in banks. In this paper we have stated the various information technology services offered by State Bank of India. The main purpose of is to get familiar with varieties of IT services offered by banks.



II. IMPORTANCE OF INFORMATION TECHNOLOGY IN BANKING

Technology plays a crucial role in the improvement of banking services and performance of operations. The introduction of card based payments, debit card and credit cards, in the early 2000's introduction of Electronic Funds Transfer/ Special EFT (EFT/SEFT); in March 2004, Real Time Gross Settlement (RTGS); in 2005/06, introduction of NEFT (National Electronic Funds Transfer) as a replacement for EFT/SEFT; cheque truncation system, and many more. The tempo of development for the Indian banking industry has been remarkable over the past decade. The e-banking services could be availed 24/. Its flexibility and ease of use are the advantages of IT in banking. Businessman can access their personal and account information without going to the bank, whenever a person need, even if the bank is closed. With the help of online banking bill can be paid online that save both time & money. With the help of online banking it has become easy to compare services offered by different banks.

III. STATE BANK OF INDIA

State Bank of India is India's largest commercial bank. It has a vast network of over 9000 branches in India. The 'State Bank of India' Act was passed in 1955, and was nationalized under SBI act in July 1955. The main objective of State Bank of India is extension of banking facilities on a wide scale, especially in the rural and semi-urban areas. The State Bank Group has five subsidiaries and offers services such as merchant banking services, factoring services, fund management, credit card and insurance, etc.,. Each branch of SBI is provided an identification code which is unique to each branch. Each State Bank of India (SBI) branch is assigned unique and different branch codes, SWIFT codes and IFSC codes to identify the branch for a banking transaction. SBI provides banking services with the special requirements of a particular area or community. Therefore, the State Bank of India is India's largest commercial bank. It serves 90 million customers and it offers a wide range of banking services. Its Central office is located in Madame Cama Road Mumbai, India. The State Bank of India (SBI) has branches spanning all over the world. The State Bank of India and Associates has its presence in various domains. The first domain is Personal Banking. It is a type of banking service that is offered by banks to its consumers rather than businesses, institutions and intermediaries. State Bank of India provides wide range of services in personal

banking segment, which includes SBI term deposit, SBI recurring deposit, SBI home loan, SBI education loan, SBI car loan, SBI personal loan, SBI loan for pensioners, Loan against mortgage of property, Loan against shares and debentures. The second domain of SBI is Agriculture / Rural segment which caters to the need of landless agricultural labors and agriculturist through a network of 16000 rural and semi-urban branches. SBI with its widespread network is market leader and pioneer in Agri financing. The SBI Agriculture Banking encompasses the facilities such as Kisan Credit Card, Tractor Loan, Agri Gold Loan, Debt Relief Scheme, 2008. SBI's Rural Banking includes facilities like Micro Credit Facility, Regional Rural bank, Financial Inclusion that includes Pradhan Mantri Jan Dhan Yojana and Adhaar Seeding. The third domain of SBI is International Banking. The International Banking comprises banking transactions crossing national boundaries, where a bank headquartered in one country extends credit to residents of another country. The services in this regard by SBI include corporate lending, Loan Syndication, handling Letter of credit and guarantees, Merchant banking, Short term financing, Collection of clean and documentary credits and remittances. It includes Treasury Management, Wholesale Banking, Correspondent Banking, Merchant Banking, Global Trade Services, Commercial Loans, Retail Banking and Project Export Finance. The fourth domain of SBI is SMEs. The State Bank of India has financed over 8 Lakh SSI units in the country. SBI has 55 specialized SSI Branches, 99 Branches in Industrial Estate and more than 400 branches with SIB division. The fifth domain of SBI is Services. With the advancement of technology there has been a paradigm shift in the way of working in banking industry. There has been a shift from traditional banking services into modern banking services. SBI provides wide range of services to its customers meeting their financial need in various areas.

IV. PRODUCT AND SERVICES OF SBI

The Innovative Banking Services provided by SBI has been stated below:-

4.1 Core Banking Solution

Core Banking Solution is a new term frequently heard in banking industry. Internet and Information Technology has provided new way in banking sector. Information Technology has increased efficiency to perform transaction by working simultaneously on various issues thereby cutting cost and time. Core Banking Solution is a mix of Information and Communication Technology and Information

Technology. Core Banking Solution (CBS) software is installed at different branch offices of the bank which is interconnected by telephones, satellite, internet etc. It allows customer to operate their account from any branch if it is connected via CBS. Thus CBS is networking of branches, enabling the bank and customers to operate the account and transactions. It helps to perform day to day operations of bank like balance of payments and withdrawal, recording of transaction, passbook maintenance, interest calculations on loans and deposits, maintaining customer records, internet banking and mobile banking etc.

4.2 Broking Services/Online Trading

SBI introduces State-of-the-Art broking to cater broking needs of online investing anywhere, anytime. SBI's value proposition is based on State-of-Art technology, unmatched expertise and operational ease that redefine the way India trades. SBI Capital Markets Ltd. has expanded its retail broking network to help investors carry out their broking transaction with confidence.

4.3 Automated Teller Machine (ATM)

Any individual account holder can use ATM Services who is having saving, current, pension and NRE accounts with SBI. After filing the application for a State Bank of India ATM cards, bank issues ATM card within 7 to 10 days at the registered address mentioned in the form. Then the customer can collect the PIN number or Personal Identification number from the issuing branch. State Bank offers its customers the convenience of over 8000 ATMs in India with the largest network in the country and continuing to expand its branches fast. This means that one can transact free of cost at the ATMs of State Bank Group including the ATMs of State Bank of India as well as the Associate Banks- namely, State Bank of Hyderabad, State Bank of Bikaner & Jaipur, State Bank of Indore, State Bank of Mysore, State Bank of Patiala, State Bank of Saurashtra and State Bank of Travancore and wholly owned subsidiary viz. SBI Commercial and International Bank Ltd., using the State Bank ATM-cum-Debit (Cash Plus) card.

4.4 Cash Deposit Machine

The Cash Deposit Machine (CDM) is a self-service terminal that lets customer make transactions by cash. It is a machine like that allows to deposit cash directly into customers account using the ATM cum debit card. This machine helps to instantly credit account without visiting the branch. All successful transactions are credited immediately and customers will be issued

an advice slip confirming the transaction receipt also gives provides the information about updated account balance. Some of the salient features of CDMs include Instant credit of cash deposit into your own account, Quick and convenient way to deposit cash, Paperless transaction, The per transaction limit is Rs.49,900/, Upto 200 currency notes can be deposited in a single transaction and The CDM only accepts denominations of Rs.1000/-, Rs.500/- & Rs.100/- These CDMs are available to the customer 24 x 7 for their convenience.

4.5 Swayam

Swayam is a barcode based passbook printing kiosk. Swayam has rolled out at more than 2500 branches of SBI and is installed at maximum number of branches. Customers can print their passbooks of Recurring Deposit, Savings, as well as PPF account through the facility 24*7, even after branch timings.

4.6 Merchant Acquiring Business (MAB)

MAB is a mechanism that provides necessary infrastructure and facilitate payment for goods and services purchased through medium of a card. The MAB division of SBI aims to increase visibility and create overall electronic infrastructure in the country. SBI, the largest Bank of the country, provides Merchant Acquiring Services through its large branch network of more than 15000 branches. In this the Electronic Data Capture (EDC) machine or Point of Sale (POS) terminal(s)/PIN Pads are installed at merchants outlet(s) which facilitate acceptance of payment from customers by swiping their credit/ debit /pre-paid cards on the POS terminals/PIN Pads as the sale proceeds of the goods and services sold by merchants. SBIs Merchant Acquiring Services enable merchant to accept all MasterCard /Visa/RuPay cards for payment

4.7 Mobile Banking Services

SBI provides the mobile/ phone banking services to their customers. It enable SMS alerts on debit/credit transactions and cheque returns on mobile of customer and also provide information on enquiries on account balance/cheque, foreign currency exchange rates and issuing of cheque book through phone etc.

- **Green Channel Counter (GCC)**

GCC aims at providing Customers with a secure, simple and quick way of executing daily Banking transactions. It provides Customer with ease as there is no need to remember the 11 digit account number or carry passbook, fill in pay in slips / withdrawal forms, etc. To identify a Customer only the ATM cum Debit Card and PIN is needed and his / her Bank Account. Customer swipes the Shopping cum Debit Card, selects a particular

transaction and enters the amount and the PIN. Post authentication, the transaction gets transferred to the Teller's terminal who enters denominations of cash to be paid / received, then pays / receives cash and completes the transaction. The Customer is provided with a printed receipt generated from TPD. This receipt is smaller as compared to traditional voucher. There is zero paper wastage, as only one receipt is printed per transaction. The transaction amount has been fixed as Rs 40,000/-. The SBI has launched the GCC facility in all retail branches to save on cost and time per transaction of customer.

- **Green Remit Card (GRC):**

GRC was introduced on 2nd January, 2012 to facilitate large number of non-home cash deposit transactions at SBI branches. In this a cardholder can swipe the card at GCC or at Cash Deposit Machines (CDM) and transfer money to the beneficiary whose account number is mapped to the card. After the completion of transaction, both the remitter and beneficiary get a confirmation through SMS.

4.8 Internet Banking

State Bank of India (SBI) offers a wide range of banking products and services to its customers whether corporate or retailer. Internet banking service provided by SBI is available through the Bank's official website "https://www.onlinesbi.com". It is the Internet banking portal for State Bank of India that provides online access to accounts anywhere and anytime to its customers. With the use of the latest technology and tools the infrastructure has been developed that supports unified and secure access to banking services for accounts over its branches across India. The portal provides secured and rush free on-line banking services to its customers, including PSUs and Government Agencies. The SBIs Corporate Internet Banking is suited to Small, Medium and Large Corporates in transacting with Government Treasury and Accounts Departments too. To their retail customers SBI provides internet banking service to operate their accounts all across India removing the restriction of geography and time. It enables the customers to carry out their banking transactions from their desktop, aided by availability of the Internet. Availing the Internet banking services, the following banking transactions can be performed online like Funds transfer between own accounts, Third party transfers to accounts maintained at any branch of SBI, Group Transfers to accounts in State Bank Group, Inter Bank Transfers to accounts with other Banks, Online standing instructions for periodical transfer for the above, Credit

PPF accounts across branches, Request for Issue of Demand Draft, Request for opening of new accounts, Request for closure of Loan Accounts, Request for Issue of Cheque Book and Earn reward points for transactions through Internet Banking.

4.9 Retail Banking:

Retail banking is also known as consumer banking, is the services provided by SBI to individual consumers, rather than to corporations, companies or other banks. Services offered under retail banking include savings and transactional accounts, personal loans, mortgages, debit cards, and credit cards. The Retail Banking enables customers to Issue Demand Drafts online, Transfer funds to own and third party accounts, Credit beneficiary accounts using the VISA Money Transfer, RTGS/NEFT feature, Generate account statements , Setup Standing Instructions , Configure profile settings , Use e Tax for online tax payment , Use e Pay for automatic bill payments , Interface with merchants for railway and airline reservations and Avail DEMAT and IPO services

4.10 RTGS/NEFT

The RTGS/NEFT service helps in transferring money from one's State Bank account to accounts in other banks. The RTGS system helps in transfer of funds from accounts in one bank to another on a "real time" and on "gross settlement" basis. It facilitates the fastest possible interbank money transfer facility through secure banking channels in India. In RTGS transaction requests will be immediately sent to RBI during working hours and post working hours requests are registered and sent to RBI on next working day. The amount of Rs.1 lac and above can be transferred using RTGS system. In National Electronic Funds Transfer (NEFT) funds are transferred to the credit account with the other participating Bank using RBI's NEFT service. RBI provides the NEFT service facility and transfers the credit to the other bank's account. This system of fund transfer operates on a Deferred Net Settlement basis. The transactions of fund transfer are settled in batches unlike individual settlement in RTGS. At present, NEFT operates in hourly batches from 8 am to 7 pm on week days and 8 am to 1 pm on Saturdays.

4.11 Safe Deposit Locker

The SBI provides the facility for the safety of our valuables by offering safe deposit locker facility at a large number of branches. There is a nominal annual rent depending on the size of the locker and the centre at which the branch is located. The rent is payable in advance for the Financial Year. At the time of allotment

of the locker a copy of the locker agreement regarding operation of the locker can be served to the locker hirer.

4.12 SBI E-TAX

It provides the facility to pay ones taxes online through SBI E-Tax. This facility enables the payment of TDS, Indirect tax, Estate Duty, Income tax ,Corporation tax, Wealth tax and Fringe Benefits tax. When in the home page one clicks the e-Tax the page is displayed with two links Direct Tax and Indirect Tax.

4.13 SBI NO QUEUE APP FAQ

In order to serve valuable time being wasted by standing in queue in bank, the State Bank has introduced “NO Queue” app that empowers customers to efficiently book a virtual token from any place without being physically present in the branch. With this app, a virtual queue ticket can be booked and can get real time status notification of our position in the queue. Thus we can virtually book our queue ticket to avoid long queues and spend valuable time before knowing when to arrive at the branch.

4.14 Foreign Inward Remittance

Earlier it was not possible, to remit money easily from one country to another country. With the help of SBIs Foreign Inward Remittance facility sending remittance to india for credit of our own account with bank is very simple and convenient with the help of wide foreign offices network and correspondent banking management with about 600 banks worldwide. These remittances can be originated from different countries currency and timezones.

4.15 Fund Transfer

The Funds Transfer facility of SBI enables its customers to transfer funds within their accounts either in the same branch or other branches. The amount that customers can transfer is aggregating Rs.1 lakh per day to their own accounts in the same branch and at other branches. In order to transfer funds one should be an active user of Internet Banking with transaction rights. The transferring of funds to PPF account is restricted to the same branch.

4.16 Demand Draft

The request for Demand drafts can be registered online by Internet Banking application. Customers can get a demand draft made from any of their Accounts i.e. Savings Bank, Cash Credit, Current Account or Overdraft. As per the bank specified limit for demand drafts customers can set limits for the demand drafts issued from their own accounts. A customer can obtain printed advice from the site for their record or a request can be made at the branch to courier it to the

registered address, and the courier charges will be recovered from them.

4.17 Cheque Book Request

If required a customer can request for cheque book online. The request for cheque book can be made for any of their Savings, Cash Credit , Current, and Over Draft accounts. Customer can opt for cheque books with 25, 50 or 100 cheque leaves. They can either collect the cheque book from branch or request their branch to send it by post or courier. The cheque book can be delivered at their registered address or to an alternate address provided. From the date of request the cheque books will be dispatched within 3 working days.

4.18 Account Opening Request

The Online SBI portal enables customers to open a new account online, only in branches where they are already having accounts. The customer should have INB-enabled account with transaction right in the branch. Funds in an existing account are used to open the new account.

4.19 Transaction Enquiry

The Online SBI provides features to enquire status of online transactions. Customers can view anytime and can verify transaction details and also the current status of transactions. The VISA transactions can also be seen separately. After logging on to retail section of the Internet Banking site select the Status Enquiry link under Enquiries tab, then they can see all online transactions they have performed. To have more details of individual transactions customer need to click the Transaction Reference number link, then the debit and credit account details, transaction amount, narration and transaction status will be displayed.

V. CONCLUSION

In banking sector Information technology has brought a major transformation in economy. With the change in technology banks have become more competitive in their workings and operation. The banks are able to increase their market share with the implementation of information technology. Banking has spread its branches and has reached those customers who never availed banking service. Information Technology has promoted paperless banking that has supported sustainability measures. These IT services have made the banks to spread their operations and have made banking transaction more dynamic and convenient. The information technology has resulted in tremendous transformation in the customer satisfaction. Today more & more customers prefer and

use modern services of the banks instead of traditional services. Thus IT in banking sector has given a tremendous positive movement towards greater economic development. Many banks have implemented information technology in their banks and offer various services. SBI is a major bank which provides IT services through its online website portal. The bank provides numerous products and services for the benefit of its customers that helps in saving time and cost. The bank being having largest share in public sector banks could attract many customers for its online services.

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