

## **Technological Innovation in Rural Areas – A Case Study of SBI**

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### **Abstract**

Nowadays, banking sector plays a very important role in human life, banks motivate people to make saving money for their future. It provides a number of facilities to the people, banking service has become a need of the society. In the 21st century, every sector has great challenges i.e. customer satisfaction, and being a part of the society banks are also facing this challenges, and banks are accepting challenges very nicely for the improvement of services and are providing innovative services to the customers so that they can get proper benefit in this sector. The objective of this paper is to analyze the services provided by banks, and to observe that how innovative, and new services they are giving to the society, and to know that how much these facilities or services are beneficial for the society and as well as banks. This paper is descriptive in nature, and data has been collected through various secondary sources. The paper explains the objective with the help of case study of SBI Bank. The paper concluded that banking sector has been changing rapidly. Now technology has made tremendous impact in banking, in 21st century dreams becomes reality. Now you can get banking services anytime and anywhere, wherever and whenever you want, precedence banking is an opus of banking benefits, unique investment products, personalised services and elite life style, benefits that brings complete harmony to all your financial needs.

### **Key Words**

Banking Sector, Customer Satisfaction, Innovative Services Financially Needs.

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### **INTRODUCTION**

Indian Banking Sector has witnessed numerous changes from

decades. Value creation is an essential element in the 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. Banking sector has become a promising sector in India, their services are upsetting to the human life and their life style, no one can deny that now the banks are becoming inevitable for everyone, the need and satisfaction level of people has moved beyond the previous benchmark, and banking sector is providing lot of services to the customers, traditionally banks were providing only saving facility to the public and there were less number of banks available, now scenario has changed, there are around 340 banks which are working in India, in which some public sector banks and some are private sector banks are working. Earlier, the banks worked only for urban side of the country, but now they are focusing on the rural side, they are providing many facilities for upliftment of their life style and their economic conditions, and it's happening, see how the villagers are producing the crops and they have no fear of money lender, who were made fool by them, but a part of these we cannot ignore the technological challenges for every sector, and banking sector is also facing the great challenges, that's why they are more serious about the innovation policy and strategy. This paper deals with all the innovative strategy and the policy which are made by banks for retention of the existing and valuable customers and the backward section of society.

The technological evolution of the Indian banking industry has been largely directed by the various committees set up by the RBI and the government of India to review the implementation of technological changes. No major breakthrough in technology implementation was achieved by the industry till the early 80s, though some working groups and committees made stray references to the need for mechanization of some banking processes. This was largely due to the stiff resistance by the very strong bank employees unions. The early 1980s were instrumental in the introduction of mechanisation and computerization in Indian banks.

### **Indian Banking Transformation**

Since independence, Indian banks have undergone four major shifts which can be categorized as pre-reform (before 1991) and post-reform period (after 1991):

### **Pre-Reform Period**

- A period of consolidation of banks up to 1966
- A period of historic expansion in both geographical and functional terms from 1966 to mid-1980s
- A period of consolidation of branches from mid-1980s to 1991

These changes were policy-induced but not driven by market forces.

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 at 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. 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.

### **REVIEW OF LITERATURE**

E-commerce is now considered to hold the guarantee of a new commercial revolution by offering a reasonably priced and direct way to exchange information and to sell or buy products and services. This revolution in the market place has set in movement a revolution in the banking sector for the provision of a payment system that is compatible with the demands of the electronic marketplace (Balachandher *et al.*, 2001).

Innovations in information processing, telecommunications, and related

technologies – known collectively as "information technology" (IT) – are often credited with helping stimulate strong growth in the many economies (Coombs *et al.*, 1987).

It seems obvious then that technological innovation affects not just banking and financial services, but also the way of an economy and its capability for continued growth. IT is defined as the modern handling of information by electronic means, which involves its admittance, storage, processing, transportation or transfer and delivery (Ige, 1995).

According to Alu (2002), IT affects financial institutions by lessening enquiry, saving time, and improving service delivery. In recent decades, investment in IT by commercial banks has served to rationalize operations, improve competitiveness, and increase the variety and quality of services provided.

Financial innovation has been a central force driving the financial system toward greater economic efficiency (Merton and Bodie, 2005). Avasthi & Sharma (2000-01) have analyzed in their study that advances in technology are set to change the face of banking business. Technology has transformed the delivery channels by banks in retail banking. It has also impacted the markets of banks. It has the most important factor for dealing with the intensifying competition & the rapid proliferation of financial innovations.

Padhy, K.C. (2007) studied the impact of technology development in the banking system and he also highlights the future of banking sector. The core competencies will provide comparative advantages

## **OBJECTIVES OF STUDY**

The objectives of study are :-

- (i) To analyse the technological innovation initiative of selected bank, with special reference to SBI Bank.
- (ii) To analyse the parameter that how the innovation are profitable for the society as well as banks.
- (iii) To analyze available sources and the level of awareness of people regarding technological services by SBI Bank.

## **RESEARCH METHODOLOGY**

This is the conceptual one with detailed review of literature for the purpose of study. The official website of banks was considered along with the additional literature. The period of the study was two month where the sample sizes were 50 customers. Journals and research papers were also considered

during the study, there was a personal interview from the bank's employees regarding their services.

## DATA ANALYSIS AND INTERPRETATION

### Various Forms of Technological Innovations (Electronic Delivery Channels)

This segment describes the various forms of technological innovations or electronic delivery channels adopted by banks. Technological innovations have been identified to contribute to the distribution channels of banks. The electronic delivery channels are collectively referred to as Electronic Banking. Electronic bankers now see a kind of development in their business, partly, because the world has taken a quantum jump in the use of technologies in the last several years. The various electronic delivery channels are discussed below :

S. No.	Services	Description
1.	Automated Teller Machines (ATMs)	ATMs were introduced to the Indian banking industry in the early 1990s, initiated by foreign banks. Most foreign banks and some private sector players suffered from a serious handicap at that time-lack of a strong branch network. ATM technology was used as a means to partially overcome this handicap by reaching out to the customers at a lower initial and transaction costs and offering hassle free services.
2.	Phone and Mobile Banking	Phone and mobile banking are a fairly recent phenomenon for the Indian banking industry. There exist operative guidelines and restrictions on the type and quantum of transactions that can be undertaken via this route. Phone banking channels function through an Interactive Voice Response System (IVRS) or tele-banking executives of the banks. The transactions are limited to balance enquiries, transaction enquiries, stop payment instructions on cheques and funds transfers of small amounts (per transaction limit of Rs 2500, overall cap of Rs 5000 per day per customer).
3.	Internet Banking	Internet banking poses high operational, security and legal risks. This has restrained the development

		of internet banking in India. The guidelines governing internet banking operations in India cover a number of technological, security-related and legal issues to be addressed in relation to internet banking. According to the earlier guidelines, all internet banking services had to be denominated in local currency.
4.	Branch Networking	Networking of branches is the computerization and inter-connecting of geographically scattered stand-alone bank branches, into one unified system in the form of a Wide Area Network (WAN) or Enterprise Network (EN); for the creating and sharing of consolidated customer information/records.
5.	Satellite Banking	Satellite banking is also an upcoming technological innovation in the Indian banking industry, which is expected to help in solving the problem of weak terrestrial communication links in many parts of the country. The use of satellites for establishing connectivity between branches will help banks to reach rural and hilly areas in a better way, and offer better facilities, particularly in relation to electronic funds transfers.
6.	Card-Based Delivery Systems	Among the card-based delivery mechanisms for various banking services, are credit cards, debit cards, smart cards etc. These have been immensely successful in India since their launch. Penetration of these card-based systems have increased manifold over the past decade. Aided by expanding ATM networks and Point of Sale (POS) terminals.
7.	Payment and Settlement Systems	The innovations in technology and communication infrastructure in recent years have impacted banks in a large way through the development of payment and settlement systems, which are central to the major portion of the businesses of banks.
8.	Cheque Truncation System (CTS)	Truncation is the process of stopping the movement of the physical cheque which is to be truncated at some point en-route to the drawee branch and an electronic image of the cheque would be sent to the

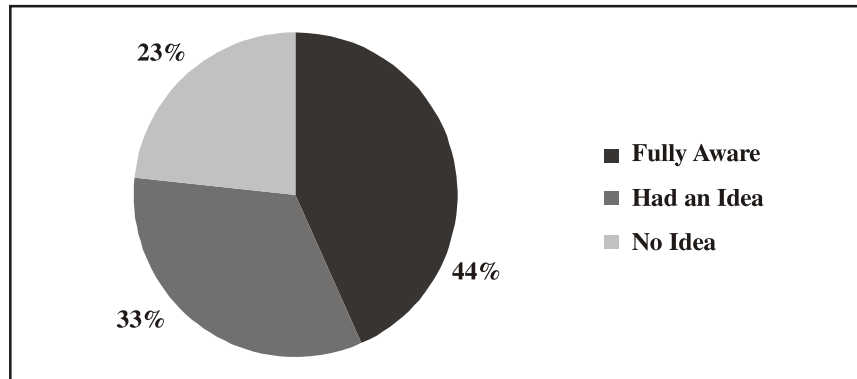
		drawee branch along with the relevant information like the MICR fields, date of presentation, presenting banks etc.
9.	Electronic Clearing Service	The Electronic Clearing Service (ECS) introduced by the RBI in 1995, is akin to the Automated Clearing House system that is operational in certain other countries like the US. ECS has two variants- ECS debit clearing and ECS credit clearing service. ECS credit clearing operates on the principle of 'single debit multiple credits' and is used for transactions like payment of salary, dividend, pension, interest etc. ECS debit clearing service operates on the principle of 'single credit multiple debits' and is used by utility service providers for collection of electricity bills, telephone bills and other charges.
10.	Electronic Funds Transfer Systems	Electronic funds transfer mechanism began with the Electronic Funds Transfer (EFT) System. The EFT System was operational zed in 1995 covering 15 centres where the Reserve Bank managed the clearing houses. Special EFT (SEFT) scheme, a variant of the EFT system, was introduced with effect from April 1, 2003, in order to increase the coverage of the scheme and to provide for quicker funds transfers. SEFT was made available across branches of banks that were computerised and connected via a network enabling transfer of electronic messages to the receiving branch in a straight through manner (STP processing). In the case of EFT, all branches of banks in the 15 locations were part of the scheme, whether they are networked or not.
11.	RTGS	The other payment and settlement systems deployed were mostly aimed at small value repetitive transactions, largely for the retail transactions. The introduction of RTGS in 2004 was instrumental in the development of infrastructure for Systemically Important Payment Systems (SIPS).

### Parameters of Innovation in SBI Bank

- **My Account My Number** is a unique proposition which enhances the convenience and flexibility that is available in their extensive range of products. The freedom to choose the number of customer's choice for the account a customer opens with the bank. The chosen account number may be a specific pattern, a lucky number, favourite combination or just something simple to remember.
  - My Premium Numbers – Any one of the premium numbers we have available.
  - My Favourite Number – Choose 8-10 digits out of a available of 10 digits
  - My Lucky Number – Your account number could be a lucky sequence, lucky sum of digits.
- **Summer Swipe Special** – Debit Card Offer: At SBI Bank, they constantly strive to provide the customers with the best and latest in financial services. This unique and first of its kind "combo" offer in the Indian Banking industry has been custom-designed for and is being exclusively offered to existing SBI customers only.

The Super Saver pack offers the convenience and flexibility of covering multiple financial needs through a simple and transparent manner. This smart decision not only saves valuable time but also helps avoid the hassle of dealing with multiple providers.

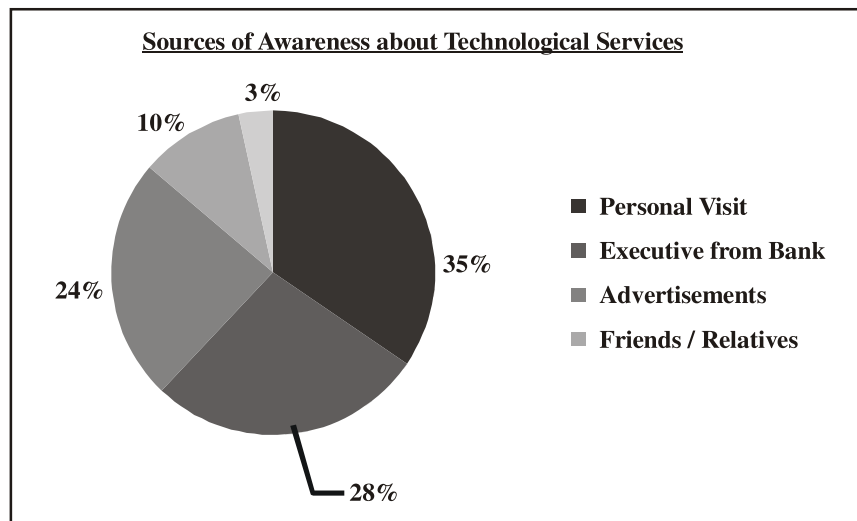
**Figure 1 : Awareness of People Regarding Technological Service Provided by the Bank While Opening an Account**



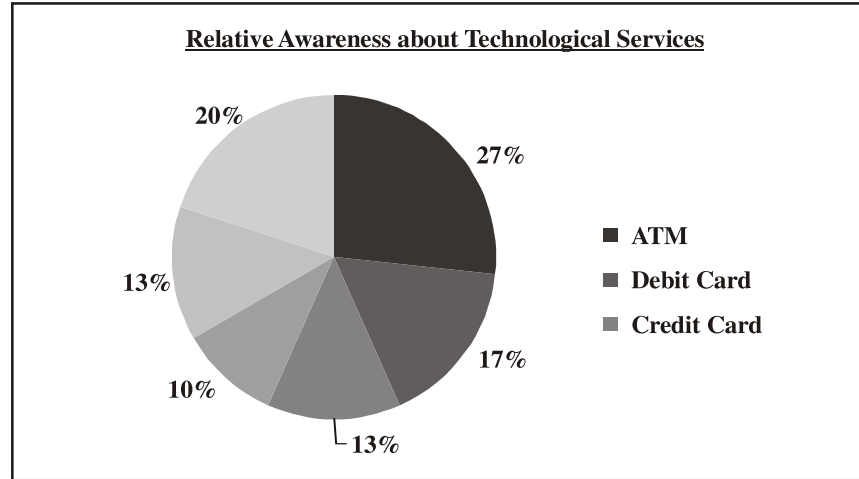


As seen from Figure 1, overall percentage of service class people having complete knowledge about technological services provided by the bank, while opening an account 44% are fully aware, those having some idea about it, is 33% and the percentage of people having no awareness of technological services provided by the bank is 23%. It can reasonably, be concluded that nearly 60% of the population is having awareness about e-banking service

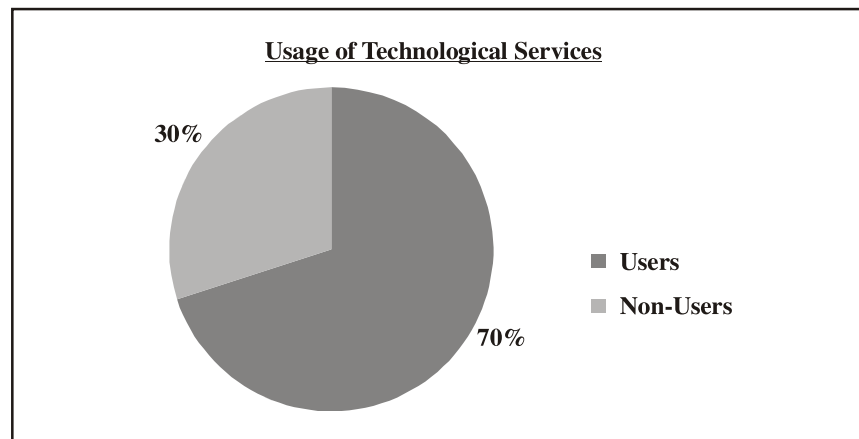
**Figure 2 : Sources from which the Respondents get the Knowledge about the Technological Services**



As seen from Figure 2, it indicates the percentage distribution of awareness avenues, the major are in favour of personal visit, which score 35% among different avenues such as personal visit, executives of the banks, advertisements. While the least score is for friends and relatives and that of other sources

**Figure 3 : Awareness of Technological Services**

As seen from Figure 3, technological service constitutes services provided in terms of ATMs, Debit Card, Credit Card, Phone Banking, Mobile Banking, Internet Banking etc., of which the first six have been covered. Amongst these ATM scores the largest used service status (27%) as indicated. Close on the heels is Debit card (17%), Credit card (13%), while phone banking lags behind by scoring the least i.e., 10%.

**Figure 4 : Users of E-banking Services**

As seen from Figure 4 which shows that among those who are aware accounts for 20 in number and about 21 persons use technological banking services, which is 30% of total population, are non-users.

## CONCLUSION

The usage of technological banking service is all set to increase among the service class. The service class at the moment is not using the services thoroughly due to various hurdling factors like insecurity and fear of hidden costs etc. So, SBI should come forward with measures to reduce the apprehensions of their customers through awareness campaigns and more meaningful advertisements to make technological banking popular among all the age and income groups. Further, with increasing consumer demands, banks have to constantly think of innovative customized services to remain competitive. Technological Banking is an innovative tool that is fast becoming a necessity. It is a successful strategic weapon for banks to remain profitable in a volatile and competitive marketplace of today. In future, the availability of technology to ensure safety and privacy of e-transactions and the RBI guidelines on various aspects of technology based banking will definitely help in rapid growth of internet banking in India.

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