

Challenges Faced by Banking Software Developing Companies in India

Dr. Mansi Kukreja

Associate Professor, IBMR, IPS Academy, Indore, India

Dr. Heena Upadhyay

Assistant Professor, IBMR, IPS Academy, Indore, India

ABSTRACT

This study highlights the expansion in banking industry and up gradation of technology in banking sector. As the sector is growing day by day it is facing many challenges in all segments. Technology is also one of them. Technology has made many changes in Indian banking sector like high-speed of transaction, amplifying efficiency of cost, increased in the use of banking software through online banking and make all kind of transactions possible. By this study an attempt was made to highlight the major challenge and confront faced by the banking software developing companies in India. It will also underline the top banking software developer in India and stumbling block in the path of their development. At last it would emphasis on the solutions to their problem.

Keywords : Expansion, Up Gradation, Challenges, High-Speed Transaction, Amplifying Efficiency, Stumbling Block.

I. INTRODUCTION

Indian banking sector is one of the fastest growing sector in the economy of world with sixth position in expressions of its sound productivity, efficient working resources as well as reliability in working according to studies of ASSOCHAM Eco Pulse (AEP). During the past years tremendous growth of Indian banking sector indicates the faster transformation of the sector followed by several changes which are also welcomed by economy and citizens. The increase in the number of banks indicates that customer are satisfied by the services and facilities provided by banking industries. Online banking, as adopted by many customers and its day today increasing trend indicates that customer's are extremely satisfied with its uses. It has made their work easier, faster and convenient. In fact it has reduced paper work as well as physical transaction of money. The use of e-

banking has increased the use of credit cards, debit cards, EFT etc which in turns have reduced the burden of banks and increase their efficiency of working. In all this activities high level of technology with upgraded software are required.

The technically updated customers don't face much problem in the present scenario but as India is developing country and more than half population is still living in rural area. **"In the current banking system, the relationships between banking organizations and their users & customers are critical (Seybold, 2001)."** It means that the banking system and the users and customers are connected mainly through technology rather than face to face interaction so it is very difficult to make them satisfy. It completely depends on technology used by banking system. So selection of proper banking software to

make customer delight is the most crucial as well as difficult task.

II. Review of literature

Mohd Faisal Khan and Dr. Debaprayag Chaudhuri (2017) tried to identify current condition of digital banking culture and the challenges faced by commercial banks in CBS System. This study was an attempt to find out consent and approval on new requirements as well as the role played by the technology in the banking sector. It was also done to find out the role of ICT on the same time the role of quality service provided by the Software in banking sectors. The findings of these research was helpful bankers, academician or banking experts, banking practitioners to upgrade the core banking software and also in improving the service provided by the software in banking sector.

Costas Lapavitsas and Paulo L. Dos Santos (2008) argued on the fact that technological innovation has contributed to recent changes in the performances and character of banking, but its impact has been conflicting. The transaction costs have become cheaper but investment cost arouses. On other hand, banks are unable to provide wide range of services with unimproved cost efficiency.

Vadlamani Ravi (2007) state that “banking technology” is the use of complicated and chic combination of information technology with communication technology by the banking system to provide fast and efficient services to the customer in a reliable, reasonable and safer way. By this they satisfy their needs and gain advantages over other banks.

On the other hand, Sivakumaran (2005) strongly consider the fact that the use of technology by the banking system has provided the following advantages to the banks as well as the customers: increased productivity and efficiency with faster the amount of services, huge increase in profit, high level of satisfaction and convenience to customers,

flexibility in operation timings i.e. 24x7 working mode. Above to all it has provided cost saving facility and space to customer.

Berger (2003) says that the tradition of information technology (IT) i.e. usage of computers and its simultaneous equipments has showed incredible growth in banking industries and service sectors in the past years. The product such as internet banking facility, electronic payment mode, security investment services and information exchange techniques are the common IT services used by banking sector to serve the customer with lesser amount of human resources.

As per the report presented by the World Bank (2003) on ICT and the Millennium Development Goals, use of IT has diminish transaction costs as well as facilitated banks for providing services in rural areas. It also allowed bank to provide small loans to customers.

Willcocks (1994), Information systems/information technology investment may be described as any acquisition of software or hardware which is expected to expand and increase the business benefits of an organization’s information systems and render long-term benefits.

Rangarajan Committee (1989) describes that IT came into depiction in the early 1980’s in banking industries and involves the following different phases. In the **First** phase it involve use of IT in Accounting process and back office functions. In **Second** phase, automation of the front office as well as the back office function was done. In the **Third** phase, Networking concept and centralized operation were used. In the **Fourth** phase, emphasis on the use of ATM, mobile banking and internet banking was done. In the **Fifth** phase, “inter-bank” connectivity was improved.

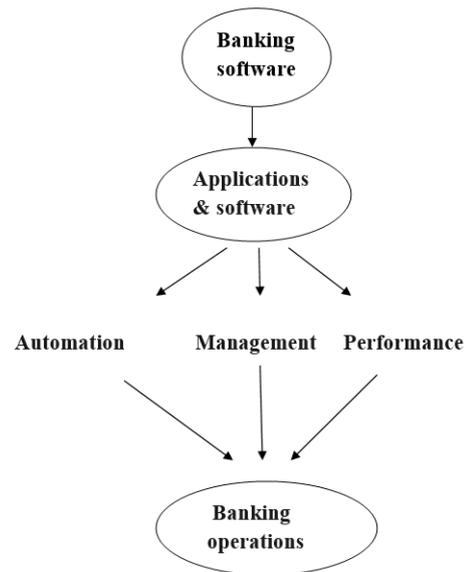
III. Research Methodology

This is a completely secondary data based study which is descriptive in nature. By this paper an attempt was made to explain the types of banking software and major challenges faced by the banking industry while selecting and developing them. Secondary data was used. Study of previous journals and publications were done to get quality results. Conclusion was driven on one's own thought generated by reading and understanding of the previous journals and publications. It is an empirical study completely based on past publications and journals.

IV. Banking Software

It is define as the complete range of applications and software used for the automation, management and performance of banking operations. They are used in core and investment banking, financial services as well as in capital markets. They also provide tools for various functions perform by banking system like management of wealth, asset organization, creating platforms for credit organization, trading management etc. they are designed with an aim to make client satisfy as well as banking employee and employer happy by making their work easier, faster and smoother. The ultimate aim is to make banking operation effective and efficient.

This can be represented with the help of following pictorial representation:



History of Computer application in the banking sector

It can be stated as a process which was started so earlier and was not even minutely noticed by used by bankers as well as customers. Earlier it was seen in beginning of 60's, when **Accounting management** was done through banking hardware and software. Therefore it is also termed as backbone in banking industry. In late 1960's, **hardware technology** was used in which punch card machines were used. These have increased the number of transactions in banking system. After this technology electronic methods were used i.e. **electronic transactions**. In this method the paper work has been reduced and money was deposited without filling slips and ATM are used to withdraw it. Last but not the least the technology today is updated by **web based banking system** in which all the transactions are done online. This has saved a lot of time of people as well as employees too.

Types of Banking Software

There are four types of software mainly used by banking industries which are classified on the basis of their functions and characteristics. They are as follow:

1. Desktop-based/On-Premise

As the word suggest this type of software are highly customizable in nature. They are used within the banking premises. They are certified and highly

modified according to their needs and requirement. These are used banking department who are in search of maximum results as well as want to maintain data's security and keep it on their own servers. Therefore it is also known as Desktop-based banking system.

2. Web-based

These are very trendy and admired because it can be used on different platforms by different people like: bank administration, bank's customers, agents as well as employees of the bank. They can be operated from anywhere, anytime by the login ID as well as the password provided by banks.

3. Cloud-based

These are used by large banking organizations which are flexible while working as well as required huge data for their operations. These are operated by third party. They are mainly used by the companies such as Amazon, Microsoft etc. These types of banking software are very flexible. They allowed their customers to use services through internet based devices.

4. Open Source

These types of software are available with special opting facilities. They can be modified according to needs of banking system. In simple words it can be customized according to banking organizations need. The inbuilt settings of any software can be modified or convert and extra plug-in can be added to improve the functions and capacities of banking software according to their utility.

Major Software Developing Companies

There are many companies who make financial software but the major players are:

- TCS
- Oracle
- WIPRO
- Infosys
- Fidelity Information Services India Pvt Ltd
- Tech Mahindra

- HCL Technologies
- Mindtree
- Hexaware
- Larsen & Toubro Infotech
- Cybermax Solutions
- Prathamvision
- TechHover
- 2 base technologies
- Vinam Solutions

Key Challenges Faced By the Modern Banking System

There are many challenges countenance by banking software developers which create big problems in the alleyway of their development. Some are negligible while others are not. They create big question i.e. how to face them. The major challenges are:

• Troublesome technology

Technology is changing day by day. Every day updating technical changes are troublesome for the developer as well for the banking system to opt and adopt. In fact the biggest challenge is to make awareness of technology among the people. Since more than 50% are not able to understand it, it was the biggest challenge for the developer to create such software that should be understood by the common people.

• Drastic and severe competition

Another biggest challenge faced by developer is drastic or severe competition among the competitors. If some introduced a technology today, the next day its substitute is developed by its competitor with updated and additional features. So the cut throat competition is yet another defy faced by the developers among themselves.

• Varying regulations

Due to incredible geographical location of India, it is surrounded by different types of people, culture, caste and creed. It was an old proverb that on each and every step water changes in India and so as the culture. For maintaining this versatility the rules and

V. CONCLUSION

regulations are also change from place to place and location to location. So this became a challenge for the developer to understand the diversity in these regulations and work accordingly.

- **Changing repo rates**

Two types of rates which are regulated by government creates big confront for software developers in India. They are **repo rate** and **reverse repo**. Both are directly controlled by government and have unbeatable effect on people. Both are directly related with finance. As developer need finance for the development of software so changing in these rates directly effects software developing companies.

- **Escalating Customer Expectations**

As the income rises the living standard also raises. This increase in the living standard leads to increase in comfort and expectations. Every one today wants more value in less price and it is also provided by companies due to increase in competition. So customer expectation is rising day by day creating a bigger confronts for the developers.

- **Privacy Concerns and issues**

The security and confidentiality of information of customers as well as of banking department is also another defy which should be maintain by the software developing companies. To win the trust of the company and at the same time is very difficult task. This creates big hurdle for them to sustain and then overcome it.

- **Compliance And Conformity Pressures**

When a company is developing software for other company it has certain other pressures also. As banking sector is most sensitive sector that has to maintain all the financial information so secretly which completely depends on the software they are using. In such case the whole pressure is on developer for maintain such software that should be able to hold these pressures and fulfill all the needs of banking department.

The conclusion is the crux of any analysis done by different sources. Here after study the different sources and study based on problems and challenges faced by the banking software developers it is clearly understood that to make others happy and satisfy is not an easy task. Developers are not only pressurizing by their clients but also by the laws, rules and regulations as well as by the common people also. It is clear that they are working for those who are working for others. It is not easy but rather a big defy for them. Many other issues such as work completion on time pressure, security issue are also biggest confront that should be kept in mind and should be strongly handled. Other problem handled by them is tough competition among competitors which is also the major issue to be sorted out. With this the raising demands and expectation of customer is yet another biggest challenge that should be sorted out. As customer is the king of market and to be in the market it is necessary to keep them happy and satisfy. So to move on and keep going it is compulsory to face these challenges positively.

VI. REFERENCES

- [1]. Weill and Laurent (2009) "Convergence in banking efficiency across European countries", *Journal of International Financial Markets, Institutions and Money*, Elsevier, vol. 19(5), pages 818-833
- [2]. Sealey C and Lindley J (1977) "Inputs, Outputs, and a Theory of Production and Cost at Depository Financial Institutions", *Journal of Finance* 32, pages 1251—1266
- [3]. Altunbas Y, Liu M.H, Molyneux P and Seth R (2000) "Efficiency and Risk in Japanese Banking", *Journal of Banking and Finance* 24, pages 1605--1628.
- [4]. Morrison.C, and E.Berndt. 1990. "Assessing the Productivity of Information Technology

Equipment in the US Manufacturing Industries." Working Paper No. 3582 (January). Cambridge, MA: National Bureau of Economic Research.

- [5]. Kaparakis, E., S. Miller and A. Noulas (1994): "Short-Run cost Inefficiency of Commercial Banks: A Flexible Stochastic Frontier Approach", *Journal of Money, Credit and Banking* 26, pages 875-893.
- [6]. Aigner D. J, Lovell C and Schmidt P (1977), "Formulation and Estimation of Stochastic Frontier Production Function Models," *Journal of Econometrics*, 6 (1), July, pages 21-37.
- [7]. Meeusen W. and van den Broeck J. (1977), "Efficiency Estimation from Cobb-Douglas Production Functions with Composed Error", *International Economics Review*, 18 (2), June, 435-444.
- [8]. Simon H. Kwan, 2001. "The X-efficiency of commercial banks in Hong Kong", *Working Papers in Applied Economic Theory* 2002-14, Federal Reserve Bank of San Francisco.

Cite this article as :

Dr. Mansi Kukreja, Dr. Heena Upadhyya, "Challenges Faced by Banking Software Developing Companies in India", *International Journal of Scientific Research in Science, Engineering and Technology (IJSRSET)*, Online ISSN : 2394-4099, Print ISSN : 2395-1990, Volume 7 Issue 3, pp. 547-552, May-June 2020. Available at

doi : <https://doi.org/10.32628/IJSRSET2073114>

Journal URL : <http://ijsrset.com/IJSRSET2073114>