PREFACE

The term transformation in Indian banking industry relates to intermediately stage when the industry is passing from the earlier social banking era to the newly conceived technology based customer-centric and competitive banking. Transformation is a dynamic process during which, all known tenors undergo metamorphosis. It is a fluid state with uncertain outcome. Due to its fluidity, it is difficult to determine its course. The significant transformation of the banking industry in India is clearly evident from changes that have occurred in the financial markets, institutions and products. While deregulation has opened up new vistas for banks to augment revenues, it has entailed greater competition and consequently greater risks. Cross-border flows and entry of new products, particularly derivative instruments, have significant impact on the domestic banking sector, forcing banks to adjust the product mix, as also to affect rapid change their processes and operations in order to remain competitive to the globalized environment. These developments have facilitated greater choice for consumers, who have become more discerning and demanding compelling the banks to offer a broader range of products through diverse distribution channels. All this necessitates a transformation; a transformation in the mindset, a transformation in the business processes and finally, a transformation in knowledge management that insists the banks to change all known parameters of the earlier regime. Managing transformation is, thus, a challenging task. When the required outcome of the transformation is pre-set, as in Indian banking today, managing transformation presents both a great challenge and an opportunity.

The current transformation process in the Indian banking has many facets. They pertain to capital restructuring, financial re-engineering, technology absorption and of course human resource development. Each of these has several ingredients, presents formidable threats, also offers excellent opportunities but technology plays the most crucial role in transforming the banking sector. In the days, when technology serves the bank customers through ATMs, Credit cards, Internet banking, Mobile and Tele banking and many more where online banking turned the banks to be fully automatic and hence decline the customer visit to the banks. More and more customers are now using e-delivery channels, which have come to be associated with ebanking. New private sector banks have leveraged the Internet effectively in
taking away the customers from public sector banks and significantly increased their revenue potential. Internet banking is just one-manifestation technology capabilities of these banks. With the help of ebanking, they are making customer relation management more effective. Most companies have transferred or are in the process of transferring their payrolls to the new private sector banks or foreign banks in big cities. In fact, in the face of the new competitive pressures, inherent rigidities in public sector banks to enhance their overall efficiency pose serious challenges that has widen the gap between partially and fully IT-oriented banks.

Liberalization, privatization, globalization and more particularly financial sector reforms experienced that as compared to new private sector banks and foreign banks, in public sector banks very less transformation has taken place, i.e., why their level of performance is comparatively low. This transformation in new private sector banks and foreign banks is becoming threat and also motivation for Indian public sector banks. Their customer base, productivity, profitability and branch network (in domestic and in foreign countries) are continuously increasing because of convenient, speedy, cost effective and better quality services. They are better managing transformation with the advanced technology.

The IT revolution, currently going on in banking industry, has raised many questions:
To what extent IT is successful to manage the transformation in Indian Banking?
What are the advantages reaped by the banks and which are the most beneficiaries?
Whether new competition has enhanced the overall efficiency of the banking system?
Whether IT is cost effective to manage recent bank transformation?
What are the perceptions of bank customers and bank employees regarding electronic services?
To what extent IT is accepted in banks and customers?
What are the problems and prospects for the banks due to adoption of IT in banks, particularly for public sector banks?
These facts inspire to study the various electronic delivery channels, their impact on productivity, profitability and perceptions of bank customers, bank employees. The study analyzes various affects, issues and challenges faced by the banking industry and explore the prospects of IT in managing transformation in banking industry by using secondary and primary data with different statistical techniques. The present study has national and international status. The findings of the study may be helpful for the banking industry, more particularly for partially IT-oriented banks. The study is very useful for those banks, which are managing transformation through IT because they can modify some services, delivery channels as per the requirements of the customers. It will further help to improve customer relationship management in banks, moreover those banks which have still not fully adopted IT, particularly public sector banks and old private sector banks. This study will be more useful for planners, policy makers, banking industry and those who are interested in banking studies.