Chapter - V: The technological study and CRM practices in NBFC.
5.1 TECHNOLOGY AND NBFC

In keeping with global best practices in regulation and supervision, the regulator like to adopt an activity-based supervision rather than entity-based supervision, wherein all players perform similar activities which are provided under e-level field.

More the disintermediation, more the benefits available to the end customers. Financial services have become commoditized, and so the cost of distribution is the key point to service the customers, more cost effectively. Here, NBFCs have played an important role in terms of increased the reach to the customers. Their operating costs (barring funding costs) and staff costs are more competitive than other organised intermediaries.

Capital adequacy in the post Basel period is related to the risk in loan assets. Risk weightages are applied ‘uniformly’ across the system for similar asset classes. This is expected to continue till the banks and NBFCs develop and use their own internal credit rating models, based on historical data and pass the ‘user test’, whereby efficient credit processes can be rewarded with lower capital requirements.

5.1.2 Challenges before NBFCs:

NBFCs need to also address a host of non-regulatory challenges in the future. Responsibilities and ethics of NBFCs are already under close political scrutiny, simplicity and transparency of products, which are the key ingredient of success. Many NBFCs spend the rest of this decade positioning themselves to meet the demand for long-term products. All institutions build a high performance culture centred around the customers. Rising competitive pressures force institutions to differentiate themselves more aggressively, even as cost efficiency continues to be the key for success.
5.2 NBFC’s leverage technology:

Upgrading technology to track risk exposure accurately and swiftly across the firms are crucial. CRM (customer relationship management) move towards a more proactive role and security will be a key differentiator.

The outlook on the reporting aspects:

A truly global footprint ensures a hugely complex compliance challenge. Enterprise Risk Management system has greater reporting visibility, which empower both rating agencies and investors.

Customer support:

NBFCs share future software development plans and product roadmaps with existing Clients to build a greater Client relationships over the time to cherish the existing relationships. The Customer Support structure includes teams involved in Product Implementation as well as regular day-to-day support activities. Moreover, implementation and Support Teams have been created for specific or group of products to deal in the market.

Change Management

Change Requests are maintained by marketplace technologies in a Change and Request Management (CMRM) system and allotted a CR Number. The entire process of requirement analysis through development is managed in CMRM through workflows. The market research and feedback process for product functionalities is carried out by the Product Team and for this purpose, the product team interacts with the Sales Team. Regulatory changes are also monitored by this team. The Development Team is responsible for implementing the new technologies and improving the security standards.
5.3 TECHNOLOGY COVERAGE:

NBFCs have a comprehensive financial services and solution provider providing customers with access to different products as Equity and Commodity market including Derivatives, Portfolio Management Services, Mutual Funds, IPOs, Life and General Insurance and Gold Coins. Customers also avail Loans, Credit Card, Money Transfer and Money Changing services and EMI card for minimization of process timings. The largest network coverage of outlets and touch points in different locations endeavors to change the way of investors transact in financial markets and avail financial services provided by NBFCs in India.

Simultaneously, the importance of effective MIS for control of operations and of maintaining customer and business/industry data bases for strategic planning has also surfaced; while non-banks are looking at Data warehousing, Data mining, Business Restructuring etc. They are taking strategic steps to computerize their operations in their administrative and controlling offices (viz. head /zonal/regional offices) as well as the data collection machinery, so as to evolve an effective MIS. In this phase, the new communication revolution sweeping the nation and the world has come in extremely handy, as the communication infrastructure has improved significantly and the Internet technologies are available to network branches at a relatively low and affordable cost with a high degree of reliability.

The present level of MIS covers, basically, information needed for control, performance monitoring, decision making etc. and encompasses most activities in administrative offices like processing of statutory returns under Reserve Bank of India Act, monthly/quarterly performance reports from branches, credit information, inter-branch transactions, personnel inventory, fund accounting, profit and loss accounts, cash and investment management, stationery stock accounting, and branch housekeeping etc.

Internet banking is changing the non-banking industry scenario and is developing the customer relationships. NBFCs are now no longer confined to the branches but have to approach the person for new insurance, to deposit or request a statement of accounts. It is true to mention that the Internet helps any inquiry or transactions, which is
processed online without any reference to the branch (anywhere) at any time. Providing Internet deposit is increasingly becoming a "need to have" than a "nice to have" service. The net facility, thus, now is more of a norm rather than an exception in many developed countries due to the fact that it is the cheapest way of providing non-banking service.

SUCCESS:

Internet and mobile technologies are driving the customer experience and revenue growth in the non-banking sector by providing a better user experience and opening up new revenue streams by reducing operational costs. A mobile application strategy develops a company, and technologies offer the potential to handle financial transactions anytime anyplace, which can increase revenues by allowing non-banks to access new markets and customer groups. "Mobile banking reduces operational costs by enabling payments on user's devices of choice and increases customer satisfaction by providing information on their financial transactions anytime, anywhere.

Digital platforms in non-banking pose a simple challenge, and it is always a tradeoff between keeping the online transaction experience simple and user-friendly and at the same time makes sure that the customer is not impacted due to frauds. Technology is indeed a double-edged sword, internet and mobiles are no exception. But a 'global technology solutions provider cater to non-banking segment'. The advantages are—

(i) Improved dissemination of product launch information,
(ii) Improved Customer Relationship with real time updates of transactions, and,
(iii) Innovation in terms of new channels of trading.

Digital platforms are important for non-banks, as a staggering volume and frequency of daily transactions are executed electronically, service providers in the digital and interactive marketing space. Institutions that hold on to the belief that physical branches remain at the core of what the brand does, will not adapt easily to the customer of tomorrow who rarely visits a branch or the customer who sees no need for an over the
counter transaction with cash or cheques. Those who still classify ‘digital’, including web, mobile, self-serve, and iPhone applications as ‘alternative’ channels play ‘catchup’ for the next decade while intermediaries increasingly capture niche service opportunities.

Penetration of e-services in India so far, has been dependent on availability of these services at Branch and/or alternate self-service locations and to internet enabled customers through ICT devices like computers and mobiles.

It is estimated that only 100 million people have access to internet connectivity. So the reach so far has been limited and the number of mobile phones however exceeds 800 million and mobile service and distribution have reached every nook and corner of the country.

If non-bankers need to reach the deep end of the population, the mobile phone has to be the most logical channel to do this.

While most banking and financial organizations have started implementing online banking and m-commerce to some extent, on the other side, these organizations need to achieve a lot more maturity in online banking related infrastructure and services like internet based customer support, user experience, security infrastructure etc. The further possibilities of Mobile Banking are endless, but still there is a gap in customer adoption, when it comes to new age mobile banking technologies like Near Field Communication (NFCs) and Digital Wallets. Online and Mobile banking can definitely ease the pain of the users, and can bring agility to financial transactions. Besides this, there are lot of challenges in fraud detection and authentication for online banking and electronic money transfers, especially for business customers.

The future of ‘digital banking’ whether using mobile or internet platforms, will follow a simple logic, says AnoopMadhusudanan. “Online and Mobile banking can definitely ease the pain of the users, and bring agility to financial transactions. But, there are lot more challenges in fraud
detection and authentication.” How well Indian banks deal with these will determine the success rate—or otherwise.

An aggressive IT policy as a strategic initiative to meet the growing competition for business and market share, achieve efficiency in internal operations, and meet customer expectations, is under active implementation.

**New Initiative**

ATMs are now enabled to pay utility bills, payment of fees, donations, installments etc by NBFC. Non-banks, have joined the Bilateral Sharing Arrangements of the ATM network, taking the total number of customers under bilateral sharing, Central processing Centres (CPCs) are being setup with a view to free the customer facing activities and allowing them to focus on service functions. In the new initiatives, the Non-Bank will be connected through a centralized software handling all trade finance transactions by covering the leading NBFCs and their branches in the country software.

**Internet facility**

Different branches of leading NBFCs have already been enabled for offering Internet facility for trading in the retail segment. The facility of inter branch transfer of funds through internet is now available to retail customers anywhere in the country. The vehicle enabling connectivity is in the process to be implemented in phases and is a wide area networking project for carrying data, voice and video.

**IT Policy & IS Security Policy**

The Non-Banks have framed a comprehensive IT Policy and Security Policy with the assistance of professional IT security consultants. It is to review these security Policy framework for benchmarking against global best practices. The Country Risk Management Policy, in line with RBI guidelines for setting up country exposure limits, is in place, and the overall country risk for the Bank as a whole is monitored on a regular basis.
5.4. ALLIED SERVICES

Customer Service

Several initiatives were taken during the years to improve quality of non-banking services for customers. The code of fair practices which have been in the measurement of the customer satisfaction levels in Non-banks were rated as good.

Community Services

The Non-Bank, in addition to its normal lending operations seeks to reinvest part of its profits in various community welfare projects to improve the quality of life of the poor, and weaker sections of society, as a responsible corporate citizen.

Business Process Re-engineering (BPR)

The BPR Project is redesigning business processes to leverage the customer base platform to improve the performance in key business areas and improve the quality of service. The coverage through these initiatives has been enlarged considerably during the year. Retail Assets Central Processing Centres (RACPCs) and Small Enterprises Credit Cells (SECCs) have been launched and it reduced turn-around-time for sanction of loans and improved quality of appraisals in branches. To satisfy the need to extend personalized service to mass affluent and medium enterprise customers, the concept of relationship management has got manifested in the country.

With the increasing branch migration to Core Banking Service platform, some of the BPR Pilots viz. Retail Assets, Credit Centre, Trade Finance, Liability Clearing were initially launched and have since been rolled out to other Circles.

Use of Information Technology in Offices

With the addition of branches, the computerized branches covered in the most of the Non-Banks. The additional computerized branches
included conversion of back office systems at branches to a better platform. Networking through focal point processing centres with centralized database to provide value-added customer service, have been launched at some pilot centres in the country with Telebanking facilities.

With the addition of more branches, a project have been initiated to create a countrywide network of existing and future to provide 'anytime anywhere banking' through. VSAT network coverage by rendering cash-management services and inter branch/inter office data transmission,

A plan to establish a high-speed Virtual Private Network, inter-linking major overseas offices with the Foreign Department is in the pipeline. This network will allow on-line sharing and transfer of data, information and voice through the network among offices.

5.5. e-Business in Shares and Bonds

The trading in shares and bonds by NBFCs are listed in the BSE and other stock exchanges. At the NSE, also the shares are listed. As one of the top traded scrips in the stock exchanges, the market capitalization of the shares carry weightage in BSE Sensex and in S&P CNX Nifty (NSE). The bonds are traded through leading NBFCs during the years.

5.6. Vigilance

During the year, the Non-Banks organise training programmes on preventive vigilance, emphasizing meticulous compliance with instructions, systems and procedures. The systems and procedures in the system are reviewed during the years and to bring an improvement in its working. Measures have been taken to improve customer service, increase operating efficiency and reduce operating costs through system's intervention. Steps have been taken to introduce state-of-the-art technology. It witnessed the computerized issue of drafts by the branches and policy on retention of records, which has been formulated for use by the latest technique in data management, such as, imaging, data warehousing and data mining.
Mobile trading

Consumer initiatives have received most of the attention recently, extending the conveniences of mobile banking to other client segments.

CEO Mobile is designed for any size business, Current functionality includes the ability to view interbank balances, wire activity and detailed account activity, . Customers can select which accounts they wish to access via the channel. CEO Mobile will enable customers to do things on their own schedule. The additional features will be introduced throughout the year. CEO Mobile is browser-based and uses software that can optimize the presentation of data for users' specific devices, All communication between Wells Fargo and the customer is encrypted via 128-bit SSL and uses the same authentication as the CEO Portal -- user ID, password and token, if necessary. Products from Marketplace Technologies will be beneficial to service Brokers, Exchanges and other users across the financial markets.

The software, which are used by present NBFCs are depicted below:

**SPARK™** is a multi-exchange, multi-company, multi-segment Windows based solution designed to deliver excellent Value to small and medium sized brokerage houses dealing with retail as well as institutional clients.

**FasTrade™** is a powerful real time trading solution available as both CTCL and Internet Trading platforms, which allow the user to watch market prices and execute orders in multiple exchanges and markets instantaneously with real time price streaming.

**myIPO** is a Web based IPO system which enables brokers to facilitate online application by clients with a Payment Gateway & Back office interface.

**D-MAT** is an effective solution for all back office needs of depository participants for both NSDL and CDSL. It is a centralized DP Back Office solution to manage Demat, Remat, Daily Transactions, Pledge & other DP Back Office activities.
CITRUS™ Thin is an intelligent, centralized solution for user's operational needs related to the maintenance of client records. It is an integrated software solution which provides the capability to handle multiple companies and entities in a complex hierarchy with a single user interface.

eSecFund is a Complete Back office solution for NBFCs to enable client funding management and delivery management. Its thin client technology uses Active-X and ASP as Browser based front end & MSSQL as RDBMS.

MarketWealth, a Portfolio Management System (PMS) is up-coming product which tracks and monitors investments, cash flow and assets, through live price updates. Displayed in real time, it is the most up-to-date and precise indicator of net worth of customer investment.

Although the basic principles behind commercial and private mobile banking are the same as retail mobile initiatives, there are differences, such as increased transaction volume and value, cross-border financial needs and more-complex financial relationships.

e-Pay™ is a powerful real time Payment gateway solution which allows the user to transfer, block funds on a real time basis.

e-Sign™ the Digital Signature Module facilitates encrypting, digital signing of documents, emailing Contracts, Ledgers & other reports to clients and also stores the images for records.

CMRM, the Change and Release Management system is a highly configural workflow system that can be used equally to track and close internal service requests as it can be used to service customers.
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