THE IMPACT OF TECHNOLOGY ON THE MARKETING OF FINANCIAL SERVICES

Dr. Meeta Nihalani
Head, Department of Management Studies
Jai Narain Vyas University, Jodhpur

ABSTRACT

The modern business era is impacted by the development and growth of financial services which is shaping the new dimensions of growth and prosperity. The human life is colored with the emergence of highly fast and simple financial services by the impact of technology giving birth to the new products. The money transaction through the internet has the world a global village where the exchange and the pace of business have changed. The business growth is the result of the development of sophisticated marketing tools touching the life of consumers and investors. The aim of the paper is to build the strategy so as to promote the marketing and development of the financial products so has to enhance the growth of business,

Key words- financial services, marketing, business, development

INTRODUCTION

Efficient financial services are the axis of growth of many economies where the development and growth is a way life. The modernization of the financial services has impacted the finance industry with development of many new products of savings and investment to shape the business with better solutions... The finance industry encompasses a broad range of organizations that deal with the management of money. Among these organizations are banks, credit card companies, insurance companies, consumer finance companies, stock brokerages, investment funds and some government sponsored enterprises.

Money today has been reduced to zeros and ones. Most of the world's 'money' flows from a paycheck to a bank to a store and then, through the store's supply chain, only to be deposited in another business's account. The electronic money has helped the world's economy grow and prosper. This digitization has contributed to advances like ATMs, credit cards and online banking. The transformation has enhanced the computing power and advanced analysis by the transitions and investment has become safer, more transparent and intelligent.

By embracing Information Technology, banks in India are serving with better modern options to make life simple and comfortable. The customers have more safety and reduced risk by which they can manage the money in a better way.

The Internet banking, mobile banking and ATM facilities has impacted the urban, semi-urban and rural customers, expanding their reach to the most remote corners of the country... the government has an efficient policy to give security to the consumers with transition of money in the efforts through the monetary policy and the state budget resources.

The smart money in from of plastic currency has made the analysis and transactions easy and comfortable. The unprecedented computing power and visualization and advanced analysis has resulted in the development of action oriented policies. The b0anks are sliding margins with impact of fierce competition and now it has become imperative to increase volumes and reduce operational costs to the quality financial services. The real strength of any financial institution comes from operational excellence and understanding the customer and developing rapport with him. Technology makes it easier for any company with the right channel infrastructure and money reserves to get into banking. This has been one of the major reasons behind this kind of competition from players who do not have a banking background. Kodak Bank overcame the initial costs of setting up its own ATM network by getting into a sharing agreement with UTI bank. The cost of transactions over channels like ATMs and the Internet are lower than doing it through the branches

IT is central to banking. This is one of the major reasons why new private and multi-national banks have been able to survive, thrive, and adapt in an increasingly competitive space. These banks were able to leverage on low-cost channels such as ATMs and Net banking to the optimum levels contributing to reduced operating costs. Banks have realized that shifting customer access to lower cost channels can help bring down operating costs. Banks are looking at newer ways to make a customer's banking experience more convenient, efficient, and effective. They are using new technology tools and techniques to identify customer needs and are offering tailor-made products to match them.

Centralized operations and process automation using core banking applications and IP-based networks improve efficiency and productivity levels tremendously. Core banking applications help a bank to shift from 'branch banking' to 'bank banking.' This basically means that a customer will be treated as a bank's customer than just the customer of a particular branch which was the case earlier. Also, IP-based networks lets a bank offer multiple services over the same network, resulting in costs savings.

CRM solutions, if implemented and integrated correctly, can help significantly in improving customer satisfaction levels. Data warehousing can help in providing better transaction experiences for customers over different transaction channels. This is made possible because data warehousing helps bring all the transactions coming from different channels under a common roof. Data mining helps banks analyze and measure customer transaction patterns and behavior. This can help a lot in improving service levels and finding new business opportunities.

Risk Assessment is another area where technology can play a major role. Using technology, banks are able to better assess risks like interest risks, liquidity risks, FOREX risks, etc. The other driver for using IT is that banks can reduce costs and reduce the time to market.

LITERATURE REVIEW

There is some research on the efficiency effects of combining commercial banks with other types of financial service firms. A study of cost scope efficiency of German universal banks found mostly diseconomies of producing loans and investment-oriented services within the same institution (Lang and Wetzel 1998).

Technological progress may have increased scale economies in producing financial services, creating opportunities to improve efficiency and increase value through consolidation. New tools of financial engineering, such as derivative contracts, off-balance-sheet guarantees, and risk management may be more efficiently produced by larger institutions. Some new delivery methods for depositor services, such as phone centers, ATMs, and online banking, may also exhibit greater economies of scale than traditional branching networks (Radecki, Wenninger, and Or low 1997).

The consolidation of financial service firms across national borders may also derive in part from the international consolidation of markets. The transfers of securities, goods, and services in international markets create demands for currency, deposit, loan, and other services by international financial institutions. Thus, the globalization of markets has likely contributed to cross-border M&As and the globalization of financial service firms, although the causation likely works in the other direction as well (Kwast 1996a, Meyer 1998).

Research on financial institution cost scope and product mix efficiencies often came out of the same research studies and used the same cost functions as the scale efficiencies. Scope efficiencies were measured by comparing the predicted costs of an institution producing multiple financial services and a set of institutions that each specialize in producing a subset of these services. Scope efficiencies are often difficult to estimate because there are usually no specializing firms in the data sample, creating extrapolation recent studies have also examined the effects of bank scale, scope, and product mix on revenue and profit efficiency. The scale results are ambiguous, with some evidence of mild ray scale efficiencies in terms of joint consumption benefit for customers (Berger, Humphrey, and Pulley 1996), and profit efficiency sometimes being highest for large banks (Berger, Hancock, and Humphrey 1993),

THE STRATEGIC INPUTS TO ENHANCE THE MARKETING OF FINANCIAL SERVICES

The government efforts should be directed for more Stringent Laws and Restrictions

The recent recession and the financial breakdown of many banks in the international banks has forced the governments and the public to be more careful with transaction and investment decisions so as to give the security to the consumers.. The laws and restrictions should be made with an intention to curtail the aggressive market strategies of these banks, as well as to come up with a better risk management scheme.

Claw-back Provisions

In order to make the volatile market of investment banking more secured from crashes caused by imprudent individual traders or groups, banks may tighten up the claw-back provisions. This provision requires those whose trades cause subsequent losses, to pay back all or part of their bonuses. However, this might result in the transition of traders from big names to less well-known boutiques, in order to avoid scrutiny.

Emphasis on Equity Derivatives and Currency trading

The derivative is the market for more diversification and growth so as to sustain the development and growth of the trading activity of the people. An equity derivative is an instrument used by investors to hedge the risks associated with taking a position in stocks. It consists of underlying assets based on equity securities and limits the losses incurred by either a short or long position in a company's shares. In order to derive more benefits, investment banks will be emphasizing more on currency trading, interest-rate products, equity derivatives and corporate restructuring.

Fewer big banks and more small boutiques

As the giant investment banks faced heavy losses, which in turn affected the government and investors, in future there will be fewer big banks and more boutiques. This will force the big shot investment banks to be careful about their position, as they will face stiff competition from small firms. In any case, the charm of investment banks is something which will not decrease in near future.

Lesser Dependence on Short-Term Funding

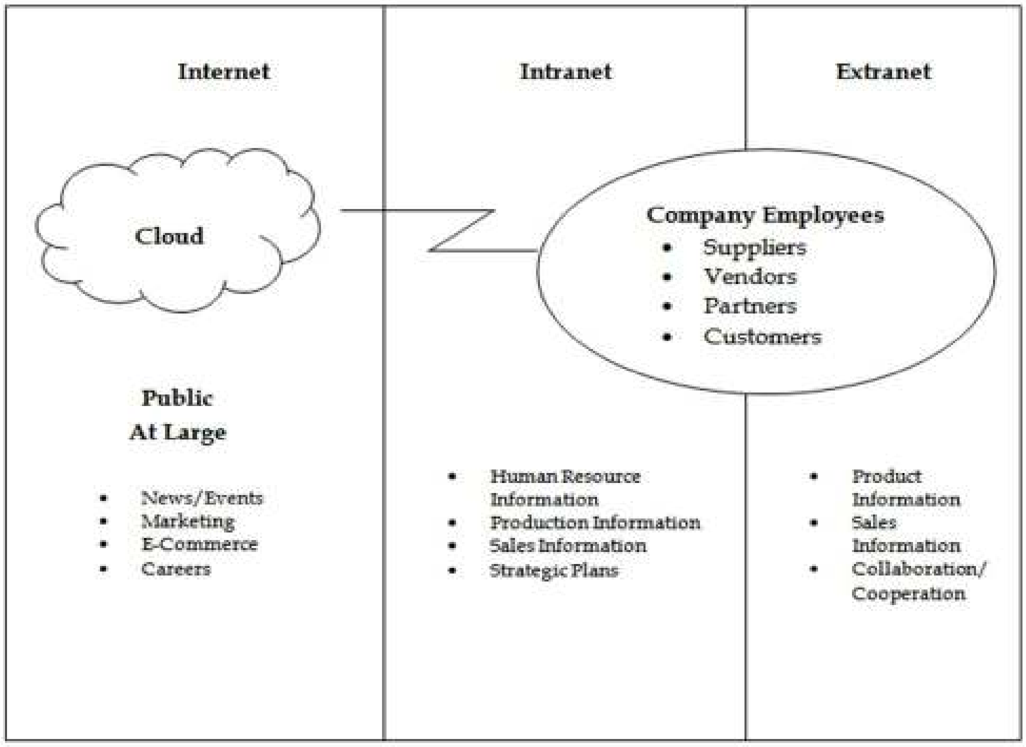
The financial institutions should depend on the long term investment options as they give liquidity and the financial strength to the organizations. Their strength can make them viable in the international market with better image and brand to give security to the consumers. Considering the negative impact of the aggressive strategies of investment banks, in future, there might be lesser dependence on short-term funding and high leverage. As the investment banks are largely financed with short-term funding, a massive asset/liability mismatch is created which is difficult to manage. It is also probable that more investment banks will be pushed into the arms of banking acquirers with large and stable deposit bases.

BRIGHT FUTURE FOR INTERNET BANKING

Internet banking is still in a strong growth phase and the government should provide the broadband strength to the rural and the urban sectors to impact the living standards of the people with the modern technology.

THE ADOPTION OF THE NETWORK

The advanced solutions to the customers can be provided by developing the network so as to provide the connectivity. The employees have to be empowered.



CONCLUSION

The future of the financial markets is strong and quality of the products should be enhanced to the better shape to the business and life. The consumers need fair and transparent practices to lead a quality life reflecting the wise financial decisions. The financial literacy of any economy can be enhance by the better financial practices adopted by the financial institutions. To meet the increased demand, banks are expected to ratchet up their spending on Internet banking technology. External vendor solutions will experience the fastest growth rather than internal development.

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