MECHANICAL BANKING SYSTEM – A PANACEA

Dr.R.VENKATESAN
Assistant Professor of Commerce, Swami Dayananda College of Arts & Science
Manjakkudi, Thiruvarur District, Tamil Nadu, India

Article Particulars

Received: 25.03.2018 Accepted: 11.04.2018 Published: 28.04.2018

Abstract

Despite having had a so much of disparity in life the mankind which overcomes all constraints with the help of the repository of knowledge. Now being at the apex in terms of scientific technological development. The history of banking dates back to 2000 BC when. In Assyria and Babylonia, the first prototype, of merchants in the ancient world made grain loans to farmers and traders who carried goods between cities. Later during the ancient Greece and Roman Empire, lenders in temples made loans and undertook two important activities of a bank, viz; accepting deposits and making loans. Similarly, archaeological evidence from India and China showed that India and China both were engaged in lending activity. The Banking Regulation Act,1949, defines bank as 'a banking company which transacts the business of banking in India, accepting, for the purpose of lending or investment, of deposits of money from the public. Interest income is the primary source of revenue at a traditional commercial bank, but it is supplemented by the fee income that the bank earns by providing noninterest financial services to its relationship banking customers. They were the original financial intermediaries to offer checking accounts. They owned the big buildings with marble pillars outside and oodles of cash stashed in vaults inside. They had the word "Bank" in their titles. Automatic Teller Machines enables the customer to draw cash even during non-banking hours with the help of a plastic card provided by the bank. Based on the inputs of Digital Cards, the machine verifies promptly after it transactions are being made through the internet and the real time transactions is notified digital adoptions is welcome by one and all for the speedy transactions.

Keywords: *Customers opinion – Relationship – Facility – Growth – Acceptance – Speedy operations*

Introduction

Despite having had a so much of disparity in life the mankind which overcomes all constraints with the help of the repository of knowledge. Now being at the apex in terms of scientific technological development, so much to cherish and change in the banking system really is a boon to the customers, keeping away from the queuing up before the bank, enabling them to take transactions to any one from the homes and operate their accounts through the internet. Thanks to the government for taking constructive steps for opening the account in the bank. The rapidly evolving e-transactions landscape in the India has had remarkable changes in the financial handlings, facing on the features but is an impeccable one. An attempt is made to do analyze the banking.

Early Concept of Banking

Economic growth and development of any country depends upon a well-knit banking System. Banking system comprises a set of sub-system of financial institutions financial markets, financial instruments and services which help in the formation of capital. The history of banking dates back to 2000 BC when. In Assyria and Babylonia, the first prototype, of merchants in the ancient world made grain loans to farmers and traders who carried goods between cities. Later during the ancient Greece and Roman Empire, lenders in temples made loans and undertook two important activities of a bank, viz; accepting deposits and making loans. Similarly, archaeological evidence from India and China showed that India and China both were engaged in lending activity.

The concept of banking was first introduced in medieval Florence in 1937.A powerful merchant family named 'Medici' established a network of shops called 'Medici Banks'. It allowed patrons to place money on account and withdraw the money in another city that had a Medici representative. Many powerful families and even the Church kept their money in medici banks. This way, rich people were allowed to travel without the need to carry large sums of money and risk of robbery while travelling. Banking continued to gain popularity throughout Europe by 1700.Nearly every country in Europe had some of established banking. Modern banking has come a very long way from humble beginnings in Florence. Banking today covers the entire spectrum of finance from simple savings to credit cards and home loans. Typically, a bank generates profits from transactions fees on financial services or the interest spread on resources it holds in trust for clients while paying them interest on the asset. Banks today are connected electronically so that banking transactions can be made globally in a split second.

History of Indian Banking

The Banking Regulation Act,1949, defines bank as 'a banking company which transacts the business of banking in India, accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable, by cheque, draft and order or otherwise. The above Act was later renamed as the Banking Regulation Act from March 1966.The Act vests in the Reserve Bank of India the responsibility relating to licensing of banks, branch expansion and liquidity of their assets, management and methods of working, amalgamation, recommendation and liquidation.

Traditional banks are the original banks that go way back in the history of the economy. They were the original financial intermediaries to offer checking accounts. They owned the big buildings with marble pillars outside and oodles of cash stashed in vaults inside. They had the word "Bank" in their titles. Traditional banks are THE original banks that go way back in the history of the economy. They were the original financial intermediaries to offer checking accounts. They owned the big buildings with marble pillars outside and oodles of cash stashed in vaults inside. They had the word "Bank" in their titles.

A View Point on Old Physical Banking

- **Relationship deposits.** In the traditional banking model, core deposits are the primary source of funding. These are interest-inelastic deposits made by household and business customers, which makes them the ideal liability for financing the illiquid relationship loans made by traditional banks. The stability of these deposits encourages bank-depositor relationships that are beneficial to the bank in at least two additional ways: These long-run relationships facilitate the transfer of soft information to the bank, and these long-run depositors are likely to purchase multiple financial products from the bank. We use the ratio of transactions deposits plus small time deposits to total bank assets as our proxy for relationship deposits.
- **Traditional activities.** Interest income is the primary source of revenue at a traditional commercial bank, but it is supplemented by the fee income that the bank earns by providing noninterest financial services to its relationship banking customers. The two most traditional sources of these noninterest revenues are fees collected by the bank in exchange for providing payments services for its transactions depositors (e.g., minimum balance fees, overdraft fees) and fees collected by the bank in exchange for managing the assets of its wealthier business and household clients.
- **Relationship lending.** A traditional bank aims to establish and maintain long-term relationships with borrowers that last beyond the loan deal currently at hand. These relationships generate soft information about the personal character and creditworthiness of individual household and small business borrowers. Once these lending relationships are established, these customers quite often purchase additional financial products and services from the bank. The ratio of commercial loans, consumer loans, and held-in-portfolio residential mortgage loans to total bank assets as our proxy for relationship lending.
- **Branch networks.** Physical bank branches facilitate the person-to-person contact necessary for true relationship banking and relationship deposit-taking. While traditional banks augment their branch delivery systems with online banking, automated bill pay, mobile banking and other channels, the physical branches remain central to the model because this is where the repeated personal interactions necessary to build and sustain long-lasting relationships most often occur.

Evolution of Mechanical New Mechanical Banking

Electronic business is system developed in the computer field for promoting business transactions which are both domestic and international. Various business laws and transaction procedures are included in the system and it is a software package. With the advent of World Trade Organization (WTO), IT has gained popularly among international transactions. The business will have wide information and it enables them to contact through the computer system, businessmen in different system, businessmen in different comers of the world and the transactions take place insanity. It enables not only speedier transactions, but quick 'decisions could also be taken on important business proposals. Comparative assessment could be done at the international level and transaction at competitive prices could be undertaken. New Mechanical banking companies often engage in the provision of a wide range of other financial services (e.g., investment banking, venture capital, securities brokerage, insurance underwriting), these services lay largely outside the boundaries of the traditional banking model. As our proxy for traditional activities, we use the ratio of net interest income plus traditional fee income to total bank assets.

Features of a new Mechanical Banking

- **Home Banking** For the benefit of aged people and for persons living in far-off distances from the branch, home banking is a big advantage. The customer is given a code number which he can operate through his personal computer at home and it will activate his account in the bank. He can give instructions for transfer of money or for payment through his computer network, thus enabling him banking operations by staying at home.
- **Zero system** The banks and branches are connected by a network; the transactions will take place in a much speedier manner. Instead of taking cheques for clearance, they may be cleared through the network itself and the customers are given instantaneous credit for their other banks' cheques. This is possible only due to the network the banking industry enjoys because of the electronic media.
- **Dematt account** As the transactions in stock exchanges are carried out through on-line basis, and the stock exchanges are insisting on demitting of shares, banks are acting as depositary agents and have opened a Dematt account for their customers.
- **Transfer of funds** Banks help customers by providing mail transfer and telegraphic transfer by way of remittance. But these may lead to delay in receipt of funds at the receiving and. The customer has to simply provide the telephone bills or insurance premium and the bank will undertake to remit the funds through the electronic clearance system by debiting the account of the Features of Old Physical Banking Customers.
- **ATM** Automatic Teller Machines enables the customer to draw cash even during non-banking hours with the help of a plastic card provided by the bank.
- **Foreign Exchange Transactions** Banks are able to take advantage of different rates in the foreign exchange markets by the use of mechanical banking. Even a very minor change in the foreign exchange rates will enable the banks to earn profits in spot market, forward market, future market, option market and swap market transactions.

- **Reduction in the cost** The introduction of mechanical banking has brought down the operating expenditure of the bank. There is less use of stationery and better utilization of available man power both of which have reduced the cost of banking operations.
- **More turnover of Banking** Banks are handling more customers which very much reduce the cost of operations. In addition to this, banks are taking up additional activities such as insurance, mutual fund, factoring, leasing etc
- **Convenience** In many ways, online banking is extremely convenient for customers. With online banking, you have access to your accounts 24/7 from anywhere in the world with an internet connection. This is one of the main reasons that online banking has become so popular, and it is one of the best features that traditional banks offer through their online banking components. Because of the nature of online banking, customers can instantly make transactions – including deposits, transfers, and bill pay – at any time they want, even on holidays.
- **Security** One of the biggest concerns for consumers who are considering web-based banking is security. For many, the act of physically handing money over to a cashier feels a lot safer than making the same transaction electronically. Furthermore, many people fear their information could be stolen and dispersed somewhere in the deep underbelly of the web. Although banks have improved their security immeasurably over the past few years, this is a valid concern.

Sources of Data

Banking System in this study will include Banking consumers (a minimum of 50 participants of different age groups, i.e., from 21 up to 60 male and female) who will be given a questionnaire. The participants will be selected by giving public. The sampling method to be used is non probability convenience sampling to select participants. The elements that will be characteristic of the sample will be general public. An effort will be made to collect data proportionately from male and female sex, the age groups and the general bank region is as follows:

Table 1 Consumer's opinion about Old Physical Banking as well as New Mechanical Banking

Sl.No.	Consumers Opinion	Old Physical Banking System	%	New Mechanical Banking System	%	Total No. of Respondents	Total %
1	Presence	42	84	08	16	50	100
2	Time Duration	00	00	50	100	50	100
3	Accessibility	00	00	50	100	50	100
4	Safety& Security	48	96	02	04	50	100
5	Financial Control	04	08	46	92	50	100
6	Expenditure	00	00	50	100	50	100
7	Basis of Cost	03	06	47	94	50	100

8	Service Based	01	02	49	98	50	100
9	Meeting	50	100	00	00	50	100
10	Questioning	50	100	00	00	50	100
Total		**198**	**40**	**302**	**60**	**500**	**100**

From the above table it is informed that the consumer's opinion about old physical banking as well as new mechanical banking given under tabular format in table-2

Table 2 Consumers' concept

Sl.No.	Concept	Old Physical Banking	New Mechanical Banking
1	Presence	Banks exist physically for serving the customers,	Mechanical banks do not have physical presence as services are provided online.
2	Time Duration	It consumes a lot of time as customers have to visit banks to carry out bank transactions like — checking bank balances, transferring money from one account to another.	It does not consume time as customers do not have to visit banks to check bank balances or to transfer money from one account to another. Customers can access their account readily from anywhere with a computer and internet access.
3	Accessibility	People have to visit banks only during the working hours.	Mechanical banking is available at any time and it provides 24 hours access.
4	Safety& Security	Traditional banking does not encounter e-security threats.	Online banking is the tempting target for hackers. Security is one of the problems faced by customers in accessing accounts through internet.
5	Financial Control	Customers who often travel abroad cannot pay close attention and control of their finances.	Customers who often travel abroad can have greater control over their finances.
6	Expenditure	Customers have to spend money for visiting banks.	Customers do not have to spend money for visiting banks. They can avoid bank charges that may be charged for certain teller transactions or when they pay bills electronically — directly from their account to the merchant. It helps to save money on postal charges.
7	Basis of Cost	The cost incurred by physical banks includes a lot of operating and fixed costs.	Such costs are eliminated as the banks do not have physical presence.
8	Service Based	in physical banks, the employees and clerical staff of the bank can attend only few customers at a time	In online banking, the customers do not have to stand in queues to carry out certain bank transactions.
9	Meeting	Customers can have face to face contact in physical banking.	Customers can have only electronic contacts.
10	Questioning	Consumers can clarify any Banking Doubt directly.	Consumers can receive only computer recorded answers.

Conclusions

Based on the inputs of Digital Cards, the machine verifies promptly after it transactions are being made through the internet and the real time transactions is notified digital adoptions is welcome by one and all for the speedy transactions. The sporadic tray incidents would be eliminated by introducing the newest technology near future.

References

1. Banking – Pre.M.Kumar, Srinivasa, 1991, New Central Book Agency
2. Tammam's Banking Law & Practice in India – M.L. Janan and C.R.D.
3. Banking Theory, Law & Practice – Sundaram and Varshney, Sultan Chand Company, New Delhi
4. Banking Theory, Law & Practice, E. Garden and N. Natarajan – Himalaya Publication.
5. B.Santhanam, **"**Banking Theory Law & Practice**",** Margham Publications, Chennai.