Address by C.Rangarajan, Governor, Reserve Bank of India
at the inauguration of Andhra Bank Credit Card Transaction Automation Project Hyderabad

1. It gives me a great pleasure to be in your midst this morning and I am delighted to participate in this function which marks another important milestone in the development of Andhra Bank.

2. I am indeed heartened to note the progress that the Andhra Bank has made in the last few years and more

particularly in the year 1996-97 and as Mr.Narayanan pointed out almost all parameters of operational efficiency have improved during 1996-97. Mr. Narayanan, Mr.Ganiga and their colleagues deserve our congratulations.

3. It is heartening that not only has productivity and profitability improved but also the provision of credit to priority sector has reached the target level. Social banking has been combined with viable banking in an excellent way.

4. Banking, as you all know, is undergoing far reaching changes in India. In fact banking as a profession has undergone or is undergoing rapid changes world over. The fundamental business of banking may remain the same, accepting funds for the purpose of lending. But the manner in which this function is being performed, the kind of instruments through which such facilities are made available, have undergone tremendous change, consequent upon the changes in computer and communication technologies. Changes in computer and communication technologies have revolutionised the way in which banking is being done.

5. In fact computer and communication technology has modified the way in which the present day society lives.

But the greatest impact of that has been in the area of service industries and more particularly in banking industry. Banks today operate in a more competitive environment. There is not only competition among themselves but there is competition with non-banks and various other financial institutions. The competition is both on the liability side and on the asset side. There are many other institutions which offer deposit type facilities and on the lending side there are many other institution which also provide lending faciliti es.Therefore banks have now to compete with a variety of institutions. And they can survive in this competitive environment only if they are able to introduce and innovate new products and new services to meet the requirements of the people. Alongwith the competitive environment, one must also note the fact that customers of banks have also become demanding. Customers are no longer satisfied with the way in which services were being provided earlier. Customers who come to the branch of a particular bank do not wait indefinitely. They want to get the work done quickly whether it is in terms of depositing money or encashing a cheque or draft. They want the services to be performed very quickly, that is why in the process of computerisation which we had envisaged some years ago, importance was attached to branch level computerisation. The branch provides the greatest interface between the bank and the customer. That is why,

we recommended that one of the first steps a bank should do is to have total computerisation of all the operations in the branches.

6. I am happy to note from one of the notes that has been handed over to me that 30 branches of Andhra Bank are fully computerised and 89 branches are partially computerised. I think it is very important because it is only when the operations at the branch level are fully computerised it is possible to do further processing very quickly. In fact all the branches that are completely computerised should also be connected to one another. Then the problem of inter branch reconciliation will not be there. It is only because operations are conducted manually at different places, the process of reconciliation becomes difficult. Therefore the first step should be to computerise all the operations at branch level and the second step should be to connect various branches of the bank. This is, what we call, connectivity. First connecting the branches within the city and later on connecting the branches in one city with the branches elsewhere. This must be followed by overall connectivity in terms of linking the branches not only with one bank but with branches of other banks.

7. We are introducing a satellite based communication system with a hub which will be located in Hyderabad in

order to effect speedy transfer of information among branches of banks. VSAT, satellite based communication system will be in operation very soon. I am indeed happy that Andhra Bank has taken one more step in making the credit cards more popular. Credit cards are already there but as one of the notes points out, even after the introduction of credit cards, there is a lot of manual activities which are associated with credit cards.

8. With the introduction of terminal called EDC terminal located in the various places, the credit card transactions are immediately transmitted to the host terminal or host computer so that the transaction is immediately effected. The party who has credit card will immediately get a receipt which goes with the transaction.

9. I am quite sure the credit card system will become more popular as a consequence of introduction of these terminals. As Mr.Narayanan pointed out that a great part of transactions going through the credit cards is in foreign exchange. By linking with foreign computer systems, it has been possible to give the same kind of facility not only to the credit cards of the local banks but also international credit cards.

10. I am very happy that the Andhra Bank has thought about it, but we have a long way to go in terms of computeriation of banking activities. We have to look at, item by item and see how it can be computerised. As I have repeatedly said, computerisation is not an end in itself. Computerisation is a means towards providing improved customer service. The customers must realise and recognise that the introduction of computers has benefited them and therefore we need to take care to see that the computer based facility introduced is effectively made use of and the benefits that must actually flow from the uses of such computer facilities are actually available. It is important to take care of it even as we are introducing these facilities.

11. As I said that Andhra Bank has been doing well. Customer service has been one of the strong points of Andhra Bank and I am quite sure, the Andhra Bank will be thinking of other things besides the credit card in terms of extending the scope of computer based customer service. One great thing is that change in the mindset of the people working in the Bank, I can say this because for the last twelve or thirteen years or more, I have been associated in one way or the other with the process of computerisation in

the banking industry. We have come a long way from 1982 to the present point. The mindset of the people has changed and computers have also changed. Computers are no longer mysterious. Computers have become highly user friendly, as the term goes. You don't have to know a great deal about it in order to make use of the computers. If you know a few instructions,

then you can make use of the computer. It is no more difficult than using the typewriter. It is as simple as that.

12. Computer based services will begin to occupy increasingly an important part in the provision of customer service.

13. I wish Andhra Bank all success in its efforts. I am quite sure that the success achieved by Andhra Bank in 1996-97 in terms of improving operational efficiency will be carried further in 1997-98 and in the years beyond. I am quite sure that with the kind of leadership that Andhra Bank has got this will not only a hope, but it will be a reality.