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The Impact of Social Networking Banking on Indian Economy

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Abstract

Today's financial services customers demand an ever- widening array of service and conduct most transactions are long gone. And with the growing amount of time consumers spend online, and with social networks and social site features, banks are regaining an opportunity to make up for the lost personal interactions traditionally conducted in the branch. Social networking is the grouping of individuals into specific groups, like small rural communities or a neighborhood subdivision, if you will. Although social networking is possible in person, especially in the workplace, universities, and high schools, it is most popular online. By 2012, 90 percent of financial services are processed through social networking sites, in recent years is unprecedented, and utilizing these sites beyond their social networking capability has steadily become standard practice. To keep up with competitors, financial institutions must ensure they have a substantial visible presence in all emerging payment channels.

Keywords: Social net work; Social Lending; Community social banking; social media.

Introduction

No more waiting on the sidelines Why social media matters for banks uniquely challenging industry path toward social media mastery Crafting a social media strategy Recognizing that not all starting points are the same However, the majority of banks today consider themselves to be social media novices. As such, simply setting aside a budget will not be sufficient for unlocking the full value of engaging customer, partners, and employees through social media technologies. To do so, banks must lay a solid foundation. Depending on the bank in question, this might mean managing the rules and regulations that hamper responsiveness, acquiring or developing new technology, establishing executive support, or plugging talent into organizational gaps. In the following pages, Accenture will provide detail on key social media success factors, and present a clear way forward for banks looking to use social media effectively This is because unlike most high schools, colleges, or workplaces, the internet is filled with millions of individuals who are looking to meet other people, to gather and share first-hand information and experiences about cooking, golfing, gardening, developing friendships professional alliances, finding employment, business-to-business marketing and even groups sharing information about baking cookies

to the Thrive Movement. The topics and interests are as varied and rich as the story of our universe. What are social banks, socially powered lending services, coop banking services and social banking sites. What is a social banking network, ethical banking or a fair-trading company? These are generally banking organizations set up for the good of many rather than a few and they exist and can be accessed from the UK, US, Canada, Australian and New Zealand and many other regions. These are online banking services that genuinely care about their customers, employees, the people they do business with as well as the wider world around them. For a better understating of what social banks do, read the articles and links below for in depth explanations of what a social bank is and how they operate.

Social net work banking in the world

What is a social banking network, ethical banking or a fair-trading company? These are generally banking organizations set up for the good of many rather than a few and they exist and can be accessed from the UK, US, Canada, Australian and New Zealand and many other regions. These are online banking services that genuinely care about their customers, employees, the people they do business with as well as the wider world around them. We

construct a wide variety of social network measures within the global banking system using the board connections of top global banks from 16 countries in the post-2000 period. Our measures illustrate that social networks among top banks are extensive and have become increasingly important over time. We hypothesize that these connections may facilitate valuable information flows, but they may also foster a "group-think" mentality that could lead to instability in the global banking sector. Indeed, we find evidence supporting both views. Connected banks are more likely to partner together in the global syndicated loan market, which suggests that social connections generate valuable information which translates into business connections. However, consistent with "group-think" concerns, we find that the more central banks in the network contribute significantly to the systemic risk of the global banking system, suggesting that there is also a potential dark side to having a strong social network.

Social net work banking in India

Indian Banks have started using social media in their regular operations in various capacities and are at different stages of maturity. As of April 2013, some private banks provide regular updates on the latest offers and allow basic customer operations through popular social media sites. A large private bank in India hosted Facebook application on its secure servers allowing balance amount check, cheque book request, stop payment, etc. Some of the private banks are using their Face book page to provide customers, exclusive offers, product details and customer care services. With a few banks taking the lead, the direction is set for other banks to offer online financial services through such platforms sooner rather than later. ICICI Bank, HDFC Bank and Axis Bank are among the top 10 Banks with Social Media presence as per a survey by Financial Brand in July 2013. Banks in India cannot any longer live in denial. There could still be a tendency to not use Social Media. Banks thinking on these lines may have to remember that their competition is already active on Social Media, thus threatening their own business. TranzAxis Social Network Banking is a cutting edge new solution allowing customers to make payments using social networking sites. From paying for mobile services to paying utility bills, transactions can be made over the web instantaneously. TranzAxis Social Network Banking is not just another method of accessing Internet banking, but a secure way of making peer-2-peer transactions without having to enter your bank

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details. This solution provides a convenient way for your customers to make payments to people in their own social network from standard money transferrable to sponsoring their friends to partake in charity events or even donating money to charity directly.

1. Some banks will need to overcome a lack of organizational structures and in-house talent to derive full business value from social media.
2. More specifically, many banks may find they have to close talent gaps and bridge internal divisions between product-oriented teams, all while gaining senior leadership support for a company-wide approach to social media. This is no small task, especially given the are not well-versed in social media.

Community social banking

From families to friendships, we share experiences and interactions with groups. Our attachments to those groups strong or weak weave the fabric of association and community. A community is a social structure that shares personal values, cultural values, business goals, attitudes, or a world view. What binds it is a community culture of social rules and group dynamics that identify members. Commercial that is owned and operated by the local working community. These financial institutions do not have a national presence and can only be found in certain areas. Community banks operate as independent institutions and do not affiliate with larger bank chains. Unlike huge multi-state and multi-national banks, community banks are locally owned and operated banking institutions. These community banks offer the entire standard banking services including checking, savings, loans and mortgages, safe deposit boxes, etc., for both consumers and business customers. The following are the Key Elements in Community Social Banking.

1. The social media creates a virtual community, it takes real time to properly service and manage your social media. Time management is very crucial.
2. Make sure staff across the bank understand how social media works in a business setting and how that intersects with their professional responsibilities.
3. Photos of community bankers out in the community are one of the most valuable tools for conveying the bank's commitment to the community at large.

4. IT and marketing are all behind **your** social media efforts. Without any one of them, your social media campaign cannot succeed.

Social Lending

Social lending online is a fairly new way for people to go about safely loaning and borrowing money online for often better interest rates than they would be able to get by otherwise using ordinary high street banks and savings accounts. The reason for the best interest rates is simple enough - namely that a banking website doesn't have any of the massive overheads of most high street banks and well, frankly - most online lending social networking sites were set up as a kind of backlash against 'greedy' banks in an attempt to give the people back some control over their own lives and money. It remains to be seen if social banking and lending just becomes another means for the same city bankers to squeeze their customers dry by simply buying up these Internet sites that started with noble intentions - just as the earliest banks did themselves.

The online social banking service I am really interested in will be Google Bank - surely this will be a friendly, safe and non-greedy enterprise and is just around the corne. Though a borrower has myriad choices when it comes to applying for a loan, Peer-to-peer (P2P) lending comes handy when quick and easy loan is required. Enabling direct interaction between the lender and the borrower, the platform helps both the parties to strike a mutually beneficial deal. A leader in P2P lending, i-lend helps borrowers with quick loans and investors with reliable investment options. i-lend follows a strict background check and allows creditworthy borrowers only, to avail a loan. Thus creating a strong borrowers portfolio with valid details, heightens the chance of getting quick loans.

Social Media and Banking

This phenomenon has occurred as a result of achieving a tipping point in social media usage. While the exact date that social media became ubiquitous in American life is unknown, it is suggested that it occurred sometime between 2012 and 2013. According to the Pew Research Center in its December 2013 report, "Social Media Update 2013," 73% of online adults used social media in one form or another. At that level of adoption it is difficult to argue that social media is merely a fad, pastime, or periodic diversion. While abundant guidance and literature exists relative to social media marketing, strategic planning, business development, and other related topics, little has been done to address social media risks that arise from within the organization.

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1. The organization should develop a formal social media strategy. The complexity of the social media strategy should be consistent with the complexity of the organization. The social media strategy should be aligned with the organization's overall strategic plan. The social media strategic plan should assign accountability to the various stakeholders.
2. The organization should develop and implement a set of policies and procedures that assist the organization in successfully carrying out its social media strategy. Policies and procedures should be sufficient to guide employees in performing their responsibilities.
3. The organization should conduct a formal social media risk assessment. The risk assessment will evaluate the current state of the organization and identify potential weaknesses that will require the implementation of additional controls.
4. All employees should receive some degree of training based upon the widespread use of social media. Those employees with greater accountability and responsibility should receive more in-dept training.
5. It does not matter if the organization actively makes use of social media - customers and other stakeholders may be mentioning the organization in posts, tweets, and other content. Listening programs provide an early warning system to organizations regarding customer dissatisfaction. In addition, listening programs can alert the organization of products and services that are being well received in the marketplace.
6. While smaller, unregulated organizations can get away with avoiding the expense related to audits and compliance reviews, larger and regulated organizations should include social media within the scope of the audits and compliance reviews.
7. No matter the extent of training, from time to time, there will be a crisis. Crises can be small and insignificant, or they can be more problematic, such as U.S. Airways' incident. In order to prepare for the unforeseen every organization should develop an incident response plan that can be utilized when crisis strikes.
8. The Large or small, the organization should ensure that senior management and the board

are kept periodically informed on the status of the social media efforts. The nature of the reporting should be driven by the metrics, objectives, and goals contained in the social media strategy.

Impact of Social Networking Banking on Indian Economy

A look at how social media can benefit Indian banks, how some of the banks like ICICI, HDFC, Kotak Mahindra, etc. are leveraging it successfully and the road ahead. The use of technology and internet has made banking a breeze. Despite people being worried about security and adapting to newer ways of banking; technology has only made it faster, cheaper and more convenient than visiting the bank. And a similar thing happened with Face book adoption, now India has 59 million users on Face book with the 18-24 age groups forming the major chunk, as per the latest data from Social Bakers. The following aspects refers the Impact of Social Networking Banking on Indian Economy

1. **Differentiating brands:** Social media can play an important role in differentiating brands and making them more relevant to consumers. The research shows that the number of people who trust such a hypothetical person more than they trust brands or organizations increases around the world each year.
2. **Cost reduction efforts,:** Social media can be a major contributor to banks' ongoing cost reduction efforts, especially as they pertain to service, sales, and marketing. For instance, banks can use social media as a low-cost channel to distribute messages, host conversations, provide customer service, identify dissatisfied customers, and increase the impact and reach of traditional media efforts.
3. **Create Innovate products and services:** Banks can use the channel to create better, more innovative products and services that reflect real-time consumer demand. Chase, for example, created an online community of mass-affluent consumers and tasked the group with designing a credit card purpose-built to their specific wants and needs.
4. **Improve revenue:** While the use of social media to drive revenue within banks is still in its infancy, results from other industries

further along the growth curve are encouraging..

5. **Connect, share interests:** Online social networking can provide a valuable way for people to connect, share interests and stay in touch across the miles. Social networking also has hidden dangers, so it's important to monitor
6. **People do business with people:** Social media provides a cost-effective method for "spreading the word." It has found that a recommendation made by a trusted source will always trump a targeted advertisement or viral meme. This of course is because People Do Business with People – not corporation's Social media's sales power comes from its ability to create peer-to-peer conversations.
7. **Brand ambassadors:** Brand Ambassadors have been around for many years and they are everywhere. Visit any industry convention; sporting event, concert, or street fair and you will see the Brand Ambassadors working the floor. They are the high-energy men and women handing out samples, answering questions, passing out bumper stickers, and taking pictures with passers-by, among other activities.
8. **Community Building:** Banks are not usually known for building warm and fuzzy communities around their products and services. When we think of banks, we often think of impersonal bankers in pinstriped suits denying customers their request for a car loan or a mortgage.
9. **Product Research** Whether you're crowd sourcing to find out what customers think of your services or using social media as one tool in your arsenal to enlist customers to help develop new products, a social network is an undeniably powerful research and development resource.
10. **Customer Service:** Social media has become a great customer service tool across many industries and banking is no exception. However, not all banks are so proactive. A study done by the American Bankers Association found that four out of ten banks polled said that they avoid discussing specific products and services in their social media efforts.
11. **Marketing & Promotion :** Banks that are using social media to brand themselves or to

market a specific product or service have found success by integrating social tools into their existing campaigns or creating new ones that capitalize on the spirit of the community.

12. **Transparency:** The current financial crisis has led many customers to distrust banks, which is one reason why many banks are now turning to social media as a way to become more transparent to customers and build trust.
13. **No odd and complex commissions.** Customers' relationship with the bank, ActivoBank offers exactly what many are looking for. Here, customers will find value for money, and will only pay for what they get, with no odd and complex commissions. ActivoBank has made its presence felt on social networking websites including Facebook, Twitter and YouTube.
14. **Taking the lead:** ActivoBank has already implemented improvements suggested by clients on social media platforms, and last month launched the Idea Bank app on Facebook, where fans can share their ideas and suggestions for the bank, and where everyone can see, share and discuss these ideas.
15. **communicating suggestions** :Social media monthly reports include metrics like a country benchmark, identification of key influencers, alongside overall qualitative feedback and communication suggestions for the next month providing data for ActivoBank's CRM.

Have all heard the positive impact on Indian economy of Social net working banking – they provide complete connectivity, bring people with common interests together, and create a platform to share your life with the rest of the world for banking transactions. However over all this brouhaha, if we ponder a few negatives of this new phenomenon come to light. Some key negative impact on Indian economy of social networking banking or rather say risks associated with it are highlighted below

16. **Hacking.** The one potential risk of social networking banking cited most often is that of hacking. Incidents of profiles and accounts being hacked into are commonplace. While this could be restricted to simply playing a practical joke on a friend, it sometimes leads to the more serious misdemeanor of identity theft.

17. **Defamation.** Another potential hazard of putting up pictures and videos on these websites is that they could be used for defamation. Reported cases include girls' photos being photo-shopped and used in objectionable places
18. **Craft responses is difficult questions:** Sanctioned employees, whether from customer service, marketing, or another functional group, must be knowledgeable about products, services, rules, and how to get things done within the bank—and they must be mature enough to make decisions and craft responses in banking is difficult questions.
19. **Change of social media platform: Social media banking platforms** are constantly evolving and changing. Just when you think you have a platform mastered, the technology, user demographics or even the jargon associated with those channels can shift.
20. **Social media websites are close:** All over the world social media banking websites are used to get up close and personal without even revealing the true identity. There have been numerous scandals in which people have gone as far as marrying each other and then realizing the truth.
21. **Retreat from actual Banking interaction:** Excessive time spent on social networks causes some individuals to experience withdrawal symptoms. They retreat from actual interaction with fellow humans and assume a virtual personal
22. **Technology itself is a major concern:** Many banks, technology itself is a major concern when it comes to implementing a social media strategy. Banks must identify and implement the tools that enable the integration of social media with legacy CRM systems, customer service tools and workflows, reporting and record keeping requirements, and overall marketing analytics.
23. **Over lost productivity:** The social network revolution has left no strata of our society untouched. Organizations face issues over lost productivity due to employees spending their time on social media. For firms that dole out payments by the hour, each hour of productivity lost through employees updating

their profiles or adding a 'Twitpic', could prove costly.

24. **Furthering political agendas:** Social networking websites have, at times, been used for the purpose of furthering political agendas. This has proved to be significant disadvantage of social networking banking at many places.
25. **Spam:** As we all know that spam is usually unwanted e-mail advertising about a product sent to list of e-mails or group of e-mail addresses. Similarly spammers are sending the unwanted mails or messages to the billions of users of social networking banking sites which are free; and are easily accessible by spammers to gather the personal information of the unsuspecting users.

Conclusion

For banks considering their presence in social media networking, the time has come to get serious. Indeed, because of the social media activities of leading brands outside of financial services, the growing expectations of customers, and the already-existent level of chatter regarding banks across the open Web, banks must get their strategies in motion now. Any well-executed business is necessarily built upon robust strategy and leadership. With such a foundation in place, banks can find a successful way to design social media into their business and reap its benefits. And while it is likely that many banks will find themselves playing catch-up in this area, others will establish themselves as leaders. Indeed, those banks that place big bets and dive into this powerful channel will long be recognized for their innovation. Social media will, in effect, be part of their DNA, and will make positive contributions to the customer experience and to the bank's brand. In other words, social media will play a central role in their pursuit of high performance. While the preceding paints a picture of industry-wide challenges, there is a path that banks can use to beg their social media journey. It starts with gathering critic knowledge that will guide the development of their strategy and assure positive outcomes. And as mentioned earlier, banks must establish clear business objectives and map them to specific areas in which social media can generate value. All of the above becomes a moot point if efforts are not driven by real business goals. By addressing each of the preceding areas, social media teams can build senior leadership support for and sponsorship of overall social med efforts for banking. In Accenture's

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experience, successful initiatives typically involve one or more executives with deep passion for and experience with technology and social media. It is crucial to find and engage these people and use their influence to open the eyes of the broader C-suite. Social media has brought to the world a common medium for banking thoughts, words and expression. However its correct and efficient usage is completely dependent on how net working banking is to be managed. Being aware of the risks and vulnerabilities that we are exposed to through these media only empowers further to use them in a positive way. It is up to us to make sure that social networking banking does not turn into social dysfunction.

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