

E-BANKING

Mrs Mamta Goyal

Assistant Professor in Commerce,

Govt. P.G. College for Women, Sector-14 Panchkula

ABSTRACT

Electronic banking is generally an extension of traditional banking, using the internet as an electric delivery channel for banking products and services. The banking today is redefined and re-engineered with the use of IT and it is sure that the future of banking will offer more sophisticated services to customers with the continuous product and process innovations. Thus there is a paradigm shift from seller's market to buyer's market. So banks also change their approach from "Conventional Banking to Convenience Banking" and "Mass banking to Class Banking". The study examines various relevant issues relating to role of IT in banking. This will ensure the developmental role of IT in the banking industry.

KEYWORDS:*E-Banking, Information Technology, Credit/Debit Cards, Real Time Gross Settlement, National Electronic Fund Transfer,*

1.INTRODUCTION

The Indian banking sector is also trying to wake up from sleep and become proactive till 1990, the Indian banks have been working in a very comfortable and protected environment. However, since then they have been pushed into intense competition due to changed economic policies. The technology is lifting the competition in the banking sector. Traditionally, banks have been using technology to improve their products and efficiency. Today, technology is not only changing the environment but also the relationship with customers. Technology has not broken many barriers but has also brought about superior products and channels. This has brought customer relationship into greater focus. It is also viewed as an instrument of cost reduction and effective communication with people and institutions associated with the banking business. The RBI has assigned priority to the up gradation of technological infrastructure in financial system. Technology has opened new product and services, new market and efficient delivery channels for banking industry. IT also provides the framework for banking industry to meet challenges in the present competitive environment. IT enables to cut the cost of global fund transfer. IT refers to processing, storing and transferring information. It uses computers, electronic devices such as telephones, mobile phones, fax machines etc. and telecommunication network. Internet has emerged as an important medium for delivery of banking products and services. The customers can view the accounts; get account statements, transfer funds and purchase drafts by just punching on few keys. The smart cards i.e., cards

1st International Conference on Multidisciplinary Research (ICMR-2018)



NIILM University, Kaithal, Haryana, (India)



4th-5th August 2018

www.conferenceworld.in

ISBN:978-93-87793-38-5

with micro processor chip have added new dimension to the scenario. No doubt banking services have undergone drastic changes and so also the expectation of customers from the banks has increased greater.

Indian banking industry, today is in the midst of an IT revolution. A combination of regulatory and competitive reasons has led to increasing importance of total banking automation in the Indian Banking Industry. The bank which used the right technology to supply timely information will see productivity increase and thereby gain a competitive edge. To compete in an economy which is opening up, it is imperative for the Indian Banks to observe the latest technology and modify it to suit their environment. Information technology offers a chance for banks to build new systems that address a wide range of customer needs including many that may not be imaginable today.

2. TECHNOLOGICAL DEVELOPMENT IN BANKS

Developments in the field of information technology strongly supports the growth and inclusiveness of the banking sector by facilitating inclusive economic growth . IT improves the front end operations with back end operations and helps in bringing down the transaction costs for the customers. The important events in the field of IT in the banking sector in India are:

- Arrival of card-based payments- Debit/ Credit card in late 1980s and 90s.
- Introduction of Electronic Clearing Services (ECS) in late 1990s.
- Introduction of Electronic Fund Transfer (EFT) in early 2000s.
- Introduction of RTGS in March 2004.
- Introduction of National Electronic Fund Transfer (NEFT) as a replacement to Electronic Fund Transfer/Special Electronic Fund Transfer in 2005/2006.
- CTS in 2007.

3. RECENT DEVELOPMENT IN BANKING SECTOR

3.1 REAL TIME GROSS SETTLEMENT (RTGS)

Real Time Gross Settlement system, introduced in India since March 2004, is a Interlink Research Analysis system through which electronics instructions can be given by banks to transfer funds from their account to the account of another bank. The (RTGS) Real Time Gross Settlement system is maintained and operated by the RBI and provides a means of efficient and faster funds transfer among banks facilitating their financial operations. As the name suggests, funds transfer between banks takes place on a 'Real Time' basis. Therefore,

money can reach the beneficiary instantaneously and the beneficiary's bank has the responsibility to credit the beneficiary's account within two hours.

3.2 ELECTRONIC FUNDS TRANSFER (EFT)

Electronic Funds Transfer (EFT) is a system whereby anyone who wants to make payment to another person/company etc. can approach his bank and make cash payment or give instructions/authorization to transfer funds directly from his own account to the bank account of the receiver/beneficiary. Complete details such as the receiver's name, bank account number, account type (savings or current account), bank name, city, branch name etc. should be furnished to the bank at the time of requesting for such transfers so that the amount reaches the beneficiaries' account correctly and faster. RBI (Reserve Bank of India) is the service provider of Electronic Funds Transfer (EFT)

3.3 CHEQUE TRUNCATION SYSTEM (CTS)

CTS is based on a cheque truncation or online image-based cheque clearing system where cheque images and magnetic link character recognition (MICR) data are captured at the collecting bank branch and transmitted electronically. Cheque truncation means stopping the flow of the physical cheques issued by a drawer to the drawee branch. The physical instrument is truncated at some point en route to the drawee branch and an electronic image of the cheque is sent to the drawee branch along with the relevant information like the MICR fields, date of presentation, presenting banks etc. This would eliminate the need to move the physical instruments across branches, except in exceptional circumstances, resulting in an effective reduction in the time required for payment of cheques, the associated cost of transit and delays in processing, etc., thus speeding up the process of collection or realization of cheques.

3.4 ELECTRONIC CLEARING SERVICE:

In 1994, RBI appointed a committee to review the mechanization in the banks and also to review the electronic clearing service. The committee recommended in its report that electronic clearing service-credit clearing facility should be made available to all corporate bodies/Government institutions for making repetitive low value payment like dividend, interest, refund, salary, pension or commission, it was also recommended by the committee Electronic Clearing Service-Debit clearing may be introduced for pre-authorized debits for payments of utility bills, insurance premium and instalments to leasing and financing companies. RBI has been necessary step to introduce these schemes, initially in Chennai, Mumbai, Calcutta and New Delhi.

3.5 CREDIT CARDS AND DEBIT CARDS

As mentioned above India is one of the fastest growing countries in the plastic money segment. Already there are 130 million cards in circulation, which is likely to increase at a very fast pace due to rampant consumerism.

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India's card market has been recording a growth rate of 30% in the last 5 years. Card payments form an integral part of e-payments in India because customers make many payments on their card-paying their bills, transferring funds and shopping.

Ever since Debit cards entered India, in 1998 they have been growing in number and today they consist of nearly 3/4th of the total number of cards in circulation. Credit cards have shown a relatively slower growth even though they entered the market one decade before debit cards. Only in the last 5 years has there been an impressive growth in the number of credit cards.

Majority of credit card purchases come from expenses on jewellery, dining and shopping. Another recent innovation in the field of plastic money is co-branded credit cards, which combine many services into one card-where banks and other retail stores, airlines, telecom companies enter into business partnerships.

3.6 AUTOMATED TELLER MACHINE (ATM):

ATM is an electronic machine, which is operated by the customer himself to make deposits, withdrawals and other financial transactions. ATM is a step in improvement in customer service. ATM facility is available to the customer 24 hours a day. The customer is issued an ATM card. This is a plastic card, which bears the customer's name. This card is magnetically coded and can be read by this machine. Each cardholder is provided with a secret personal identification number (PIN). When the customer wants to use the card, he has to insert his plastic card in the slot of the machine. After the card is recognized by the machine, the customer enters his personal identification number. After establishing the authentication of the customers, the ATM follows the customer to enter the amount to be withdrawn by him. After processing that transaction and finding sufficient balances in his account, the output slot of ATM give the required cash to him. When the transaction is completed, the ATM ejects the customer's card. Banks are also taking the initiatives by further exploring the possibilities in this sector. Andhra Bank started their first Bio-metric Mobile ATM Van and thereafter many public and private sector banks had adopted the concept. State Bank of India has started first of its kind floating ATM in Kerala. There are many more possibilities, which are yet to be explored and the Indian Banks are on the right path to explore them and to put them for the benefit of the Public at large.

3.7 POINT OF SALE TERMINAL

Point of Sale Terminal is a computer terminal that is linked online to the computerized customer information files in a bank and magnetically encoded plastic transaction card that identifies the customer to the computer. During a transaction, the customer's account is debited and the retailer's account is credited by the computer for the amount of purchase.

3.8 TELE BANKING

Tele Banking facilitates the customer to do entire non-cash related banking on telephone. Under this device Automatic Voice Recorder is used for simpler queries and transactions. For complicated queries and transactions, manned phone terminals are used.

3.9 INTERNET BANKING:

Internet banking enables a customer to do banking transactions through the bank's website on the Internet. It is a system of accessing accounts and general information on bank products and services through a computer while sitting in its office or home. This is also called virtual banking. It is more or less bringing the bank to your computer. In traditional banking one has to approach the branch in person, to withdraw cash or deposit a cheque or request a statement of accounts etc. but internet banking has changed the way of banking. Now one can operate all these type of transactions on his computer through website of bank. All such transactions are encrypted; using sophisticated multi-layered security architecture, including firewalls and filters. One can be rest assured that one's transactions are secure and confidential.

4. OBJECTIVES OF THE STUDY:

- To learn about various aspects of e-banking & how e- banking will helpful to increase the customer base.
- To know about customer satisfaction levels by using e- banking services.
- Online and Offline users expectations to their bank and association with its brand.
- To study about advantages of E-banking
- To know about various opportunities.

5. RESEARCH METHODOLOGY AND DATA COLLECTION :

The Paper was mainly concerned with evaluating the performance of Internet Banking Services and finding out the scope of Internet Banking Services. The method used for Research methodology is Non-Probabilistic convenience sampling and the data used was collected from both primary and secondary sources. To study and analyze the perception of bank customers and to ascertain preferences for e-banking services, Secondary data was collected from books, research papers, journals, magazine and internet.

Primary Data: The primary data collection was done through the observation.

Secondary Data: Secondary data was collected from the following sources:

a) Books on Internet Banking

b) Journals

c) Bank Sites

6. REVIEW OF LITERATURE

It is relevant to refer briefly to the previous studies and research in the related areas of the subject to find out and to fill up the research gaps, if any. This section presents research work done on customer viewpoints on e-banking. Joseph et al. (1999):- He investigated the influence of internet on the delivery of banking services. The following underlying dimensions of e-banking service quality such as convenience and accuracy, feedback and complaint. Richard Kosinski, who worked at Yahoo's advertisers in the financial services sector Customer Dissatisfaction is clearly the fundamental reason for customer decay (Hill and Alexander, 2002), resistance to change (Laukkanen, P., Laukkanen, T. & Sinkkonen, S., 2008). A considerable amount of research has been made in this area in the recent years and the outcome is the theory of satisfaction gap. It identifies the prevalent gap in the service quality and stresses on its eradication through bringing about improvement in the quality of services.

7. CONCLUSION

E-Banking has no doubt changes the overall pattern of banking system. The banking today is redefined and re-engineered with the use of IT and it is sure that the future of banking will offer more sophisticated services to customers with the continuous product and process innovations.

Thus there is a paradigm shift from seller's market to buyer's market. So banks also change their approach from "Conventional Banking to Convenience Banking" and "Mass banking to Class Banking". So banks are now more concentrate on providing value added services to customers. But IT can be fully useful only if they enable to meet the challenges in the present environment.

In India it can be successful only if it is properly implemented in rural areas also. There is also need to maintain privacy and confidentiality of data's. Many nations deem privacy to be a subject of human right and consider it to be the responsibility of those who concerned with computer data processing for ensuring that the computer use does not revolve to the stage where different data about people can be collected, integrated and retrieved quickly. Another important responsibility is to ensure the data is used only for the purpose intended. For this, there is a need to implement IT and other Cyber laws properly. This will ensure the developmental role of IT in the banking industry.

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ISBN:978-93-87793-38-5

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