

## **Role of E banking in current Scenario of India**

**Taruna Bhardwaj**

**Email Id- taruna0025@gmail.com**

### **Abstract**

In the 1990s, the banking sector in India saw greater emphasis being placed on technology and innovation. Banks began to use technology to provide better quality of services at greater speed. The Internet Banking is becoming one of the fastest growing technologies that is playing a significant role in the daily lives of human beings. Internet Banking and Mobile Banking made it convenient for customers to do their banking from geographically diverse places. Banks also sharpened their focus on rural markets and introduced a variety of services geared to the special needs of their rural customers. The Internet is slowly gaining popularity in India. The Internet Banking is changing the banking industry and is having the major effects on banking relationships. Internet Banking involves delivery of banking products and services. At present many of the banks around the world have web presence in form of ATMs, Internet Banking, Support services etc. In the world of banking, the development in information technology has an enormous effect on development of more flexible payment methods and more- user friendly banking services. Electronic Banking services are new and the development and diffusion of these technologies by financial institutions is expected to result in more efficient banking system.

Key Words- Internet Banking, Innovations, Internet banking Services. Online banking in India

### **Introduction**

Banking in India originated in the last decades of the 18th century. The oldest bank in existence in India is the State Bank of India a government-owned bank that traces its origins back to June 1806 and that is the largest commercial bank in the country. Central banking is the responsibility of the Reserve Bank of India 1935 formally took over these responsibilities from the then Imperial Bank of India, relegating it to commercial banking functions. After India's independence in 1947, the Reserve Bank was nationalized and given broader powers. In 1969 the government nationalized the 14 largest commercial banks; the government nationalized the six next largest in 1980.

Banking Sector is the Backbone of the country's Economy. They are the elements of social and economic development of the nation. They are pillars of support to the growth and development of the country. Internet has touched almost all aspects of our lives. The emergence of e-commerce has revolutionized the way we live, shop, entertain and interact. Therefore, it should not come as a surprise if it tries to influence the way we save and the way we invest.

### **E-Banking**

E-Banking is defined as the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels, E-banking includes the systems that enable financial institution customers, individuals of businesses, to access accounts, transact business, or obtain information on financial products and services through a public or private network, including the Internet.

Customers access e-banking services using an intelligent electronic device, such as a personal computer, personal digital assistant, automated teller machine, Touch tone telephone. While the risks and controls are similar for the various e-banking access channels, this booklet focuses specifically on Internet-based services.

### **E-Banking in India:**

In India e-banking is of fairly recent origin. The traditional model for banking has been through branch banking. Only in the early 1990s there has been start of non-branch banking services. The good old manual systems on which Indian Banking depended upon for centuries seem to have no place today. The credit of launching internet banking in India goes to ICICI Bank. Citibank and HDFC Bank followed with internet banking services in 1999. Several initiatives have been taken by the Government of India as well as the Reserve Bank to facilitate the development of ebanking in India. The Government of India enacted the IT Act, 2000 with effect from October 17, 2000 which provided legal recognition to electronic transactions and other means of electronic commerce. The Reserve Bank is monitoring and reviewing the legal and other requirements of e-banking on a continuous basis to ensure that e-banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability.

A high level Committee under chairmanship of Dr. K.C. Chakrabarty and members from IIT, IIM, IDRBT, Banks and the Reserve Bank prepared the „IT Vision Document- 2011-17“, for the Reserve Bank and banks which provides an indicative road map for enhanced usage of IT in the banking sector.

To cope with the pressure of growing competition, Indian commercial banks have adopted several initiatives and e-banking is one of them. The competition has been especially tough for the public sector banks, as the newly established private sector and foreign banks are leaders in

the adoption of e-banking. Indian banks offer to their customers following e-banking products and services:

Automated Teller Machines (ATMs) Internet Banking

Mobile Banking

Phone Banking

Telebanking

Electronic Clearing Services

Electronic Clearing Cards

Electronic Fund Transfer

The three broad facilities that e-banking offers are

1. Convenience- Complete your banking at your convenience in the comfort of your home.
  2. No more Qs- There are no queues at an online bank.
  3. 24x7 service- Bank online services is provided 24 hours a day, 7 days a week and 52 weeks a year.
- 2.0 Objectives of

### **E-Banking Services**

Round – the-Clock banking

Direct Deposit

Phone Payment

PC Banking

Point-of-Sales Transfers

Electronic Cheque Conversion

### **Types of Internet Banking**

- I Information Only System
- Electronic Information Transfer System
- Fully Electronic Transactional System

- Technology used in Online Banking

### **Salient Features of Internet Banking**

- The salient features of Internet Banking in India enlisted below
- Easily adoptable by customers
- Cost effective solution
- Enables the bank to reach its customers on the net
- Reduce rush at the counters of the bank
- Enables the customers of the bank to access information from anywhere and at any time
- Balance and transaction history search
- Transaction history export.
- Mobile banking.

**The Electronic Fund Transfer (EFT)** This facility offers us to make payments to account holders of other banks in an efficient and fast manner. As against the physical clearing, where the cheques are cleared on presentment of the physical instrument at the clearing house, in EFT the transactions are settled electronically

### **Automated Teller Machines**

The Automated Teller Machines are installed, now-a-days, at every nook and corner in most of the towns & cities. These are meant for balance enquiries, cash withdrawals and many other facilities depending upon policies of the bank. This requires a valid Customer Id and password to log in and is therefore safe to be used. Despite of using ATM cards, Debit cards can also be used in the ATMs.

### **Debit Cards**

Debit Cards is another advanced technology of the electronic banking, now-a-days, these cards are the multi-purpose cards and can be used in ATMs for balance enquiry and cash withdrawal or can be used for easy shopping at various counters. Debit Cards ensure the automatic deduction of amount from the account just by scratching it on the machine.

### **Credit Cards**

A credit card system is a type of retail transaction settlement and credit system, named after the small plastic card issued to users of the system. In the case of credit cards, the issuer lends money to the consumer. Credit cards become very popular in India with the introduction of foreign banks in the country.

### **Smart Cards**

A Card that is used for storing and retrieving personal information, normally the size of a credit card and contains electronic memory and possibly an embedded integrated circuit.

### **Payment and Settlement Systems and Information Technology**

The development of payment and settlement systems conforming to the best international standards has been a key objective of the Reserve Bank. A milestone was crossed during 2003-4 with the commencement of the Real Time Gross Settlement (RTGS) as a facility available for quick, safe and secure electronic mode of funds transfer. Preparation of the draft legislation relating to payment and settlement systems was another important development.

**Bill Payment service** E-Banking facilitates it is payment of electricity and telephone bills, mobile phone, credit card and insurance premium bills as each bank has tie-ups with various utility companies, service providers and insurance companies, across the country.

### **Trade securities**

This function, provided by Jordan banks, provides the authorized use of the site to purchase, redeem or exchange equity shares through the banks securities subsidiary. This function can be used to:

- Purchase trade securities from one's bank's funds by transferring money from an account
- Redeem fund shares via transfer into a deposit account
- Exchange shares between fund accounts
- Transfer from a brokerage account and a secondary

### **Advantages of E Banking**

The advantages of internet banking are listed below. Eliminates the use of paper and replaces it with computer screens. No need to stand in line at the bank; because all you have to do is log on to the internet access your account. It is safe, hassle free, saves hours of time a month. Greater reach to customers. Quicker time to market. Ability to introduce new products and services quickly and successfully. Ability to understand its customer needs. Customers are given access to information easily across any location. Greater customer loyalty. It is convenient. There are no geographical barriers.

### **Indian internet banking faces following challenges**

Proper understanding of the customer – i.e. proper identification of their needs and wants.

Breach of privacy: online transactions enter straightaway into the records revealing the identity of customer. Thus black money cannot be transferred with ease.

Bandwidth: Though companies claim to offer good speed and high bandwidth, still there are problems in accessing high speed on net. Internet banking can go high only on the wings of proper infrastructure comprising telecommunications and bandwidth.

Customer has to be protected against being “net jacked” i.e. he needs to be protected from fraud. Threats can be

### **Internet Banking in India**

The Reserve Bank of India constituted a working group on Internet Banking. The group divided the internet banking products in India into 3 types based on the levels.

**Information Only System:** General purpose information like interest rates, branch location, bank products and their features, loan and deposit calculations are provided in the banks website. There exist facilities for downloading various types of application forms. The communication is normally done through e-mail. There is no interaction between the customer and bank's application system. No identification of the customer is done. In this system, there is no possibility of any unauthorized person getting into production systems of the bank through internet.

**Electronic Information Transfer System:** The system provides customer-specific information in the form of account balances, transaction details, and statement of accounts. The information is still largely of the 'read only' format. Identification and authentication of the customer is through password. The information is fetched from the bank's application system either in batch mode or off-line. The application systems cannot directly access through the internet.

**Fully Electronic Transactional System:** This system allows bi-directional capabilities. Transactions can be submitted by the customer for online update. This system requires high degree of security and control. In this environment, web server and application systems are linked over secure infrastructure. It comprises technology covering computerization, networking and security, inter-bank payment gateway and legal infrastructure

### **Difficulties in E banking**

These are all the following difficulties in Internet Banking in India

The RBI does not still allow inter-bank funds transfer through the net since the Cyber laws are still not in place. Once allowed, this could pave the way for smooth cash management.

Security also continues to remain major issues especially in the case of corporate, as bulk transactions are done in a day.

Bankers are aware of the fact reliable transaction technology as well as management of the security perceptions of customers are the keys to success.

The infrastructural costs of providing such services are quite high.

Limited criteria in online trading.

Delay in fund transfer

When server downs the whole process handicapped.

Technical problems occur sometimes which affect customers badly.

Late processing also sometimes in some services create a hurdle causing delay.

Late security level in the service to cope with hacking problem.

## **Conclusion**

Internet banking has become a necessary survival weapon and is fundamentally changing the banking industry worldwide. Today, the click of the mouse offers customers banking services at a much lower cost and also empowers them with unprecedented freedom in choosing vendors for their financial service needs. The rise of Internet banking is redefining business relationship with the customers. The International scope of Internet banking provides new growth perspectives and Internet business is a catalyst for new technologies and new business processes. The reach of Internet banking has rapidly increased due to the Telecommunication Infrastructure development in India.

All these developments in Indian banking show that, the Indian banks are marching towards modern banking and changing their traditional look. It is a great change in banking industry because of information technology development. They are trying to utilize the information technology for banking business and provide technology based banking products and services to their customers. Indian banks also trying to Univerlisation of banking products and services to one stop banking shop for customer delight, but comparatively, private and foreign banks

existing in Indian economy are having a higher level of modernization and also providing numbers of modern services to their customers.

### **References**

Data Protection in Consumer E-banking Journal of Internet Banking and Commerce, April 2006, vol.11, no.1 (<http://www.arraydev.com/commerce/jibc/>)

2. Adoption of Internet Banking: An Empirical Investigation of Indian Banking Sector By Balwinder Singh, Reader, Department of Commerce and Business Management, Guru Nanak Dev University, Amritsar, India.

3. A Study of Net Banking provided by HDFC Bank, [www.scribd.com/.../a-study-of-net-banking-provided-by-hdfc-bank](http://www.scribd.com/.../a-study-of-net-banking-provided-by-hdfc-bank)

4. Shao G. The Diffusion of Online Banking: Research Trends from 1998 to 2006. Journal of Internet Banking and commerce 2007; 12:2. <http://www.arraydev.com> .

5. Tan M. Factors Influencing the Adoption of Internet Banking, Journal of the Association for Information Systems 2000.

6. Francisco Javier M, Cortés R, Barriuso C. Quantitative Evaluation of e-Banking Web Sites: an Empirical Study of Spanish Banks, Electronic Journal of Information Systems Evaluation 2006.