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12. E-Banking in India: An Overview

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Abstract

The term Internet Banking or E-Banking Internet both are used as supplement. E-Banking is theone of the major part of E-Financing. Internet banking refers to the deployment over the Internet of retailand wholesale banking services. E-Banking uses the web browser for the user interface and the Internetfor data transfer and download of software, and so has a potential for reducing maintenance costs. Forusers, E-Banking provides current information, 24-hours-a-day access to banking services. The primaryservices provided by e-banks are transferring money among one's own accounts, paying bills, andchecking account balances. Loans, brokering, share trading, service bundling, and a host of other financialservices are being added to these primary services. The present study is based on the objectives of 1. To analyze the e-banking in India.2. To show various forms or methods of e-banking which are used by banking customers.This study is made to show how e-banking is useful for various banking operations. Conclusion of this study is

Introduction

Online banking, also known as **internet banking,e-bankingor virtual banking**, is an electronic paymentsystem that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website. The online banking system will typically connect to or be part of the core banking system operated by a bank and is in contrast to branch banking which was the traditional way customers accessed banking services.

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Internet banking software provides personal and corporate banking services offering features such as viewing account balances, obtaining statements, checking recent transaction and making payments.

Key Words: Introduction, Definitions , Features, Advantages, Disadvantages, Various Forms or Methods, Precautions.

Objectives of the Study

- To understand the concept of e-banking
- To analyze importance or advantages and disadvantages of e-banking
- To explain the different forms of e-banking

Definitions of 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 or 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 (PC), personal digital assistant (PDA), automated teller machine (ATM), kiosk, or 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 due to the Internet's widely accessible public network. Accordingly, this booklet begins with a discussion of the two primary types of Internet websites: informational and transactional. Electronic banking, also known as electronic funds transfer (EFT),is simply the use of electronic means to transfer funds directlyfrom one account to another, rather than by cheque or cash. Youcan use electronic funds transfer to:

- Have your paycheck deposited directly into your bank or creditunionchecking account.

- Withdraw money from your checking account from an ATMmachine with a personal identification number (PIN), at your convenience, day or night.Instruct your bank or credit union to automatically pay certainmonthly bills from your account, such as your auto loan or your mortgage payment.
- Have the bank or credit union transfer funds each month fromy o u r checking account to your mutual fund account.
- Have your government social security benefits check or your tax refund deposited directly into your checking account.

E – Banking means any user with personal computer and a browser can get connected to his bank's website to perform any of the virtual banking functions. The term e– banking or electronic banking covers both computer and telephone banking. In other words it is said that it is updated ' on-line , real time' The system is updated immediately every after transaction automatically.

E – Banking in India

- Opening up of economy in 1991 marked the entry of foreign banks.
- Banking products became more and more competitive.
- ICICI bank kicked off online banking in 1996. Currently 78% of its customer base is registered for online banking.

Features of E – Banking

✓ A bank customer can perform non-transactional tasks through online banking, including:

- o Viewing account balances
- o Viewing recent transactions
- o Downloading bank statements, for example in PDF format
- o Viewing images of paid cheques
- o Ordering cheque books
- o Download periodic account statements
- o Downloading applications for M-banking, E-banking etc.

✓ Bank customers can transact banking tasks through online banking, including:

- Funds transfers between the customer's linked accounts
- Paying third parties, including bill payments (see, e.g., BPAY) and third party fund transfers (see, e.g., FAST)
- Investment purchase or sale
- Loan applications and transactions, such as repayments of enrollments
- Credit card applications
- Register utility billers and make bill payments

Advantages of E – Banking

E-banking means any user with a PC and a browser can get connected to the banks' website to perform any of the virtual banking functions and avail of any of the banks services. There is no human operator to respond to the needs of the customer.

The main advantages are

1. The cost of operation per unit of services is lower for banks.
2. Offers convenience to customers since they are not required to go to the bank's facilities.
3. There is a very low incidence of errors.
4. The customer can obtain funds at any time from ATMs.
5. Credit cards and debit cards allow customers to get discounts at points of sale.
6. The customer can easily transfer the funds from one place to another place electronically.

Other Advantages

1. E-banking provides services 24 hours, 365 days a year to the customers of the bank.
2. Customers can make some of the permitted transactions from office or house or while travelling via mobile telephone.
3. It develops a sense of financial discipline by recording each and every transaction.
4. Greater customer satisfaction by offering unlimited access to the bank, not limited by the walls of the branch and less risk as well as greater security to the customer as they can avoid travelling with cash.

Disadvantages

1. Savings and credit cooperatives, and in particular small local cooperatives, strive to match the level of convenience (ATMs and branches) that many banks offer their customers, although many are part of shared networks that increase channels available to its members
2. Some Credit Units are limited in their product offerings.
3. One must qualify for membership.
4. One must pay a membership fee to join.

Various Forms / Methods of e-banking

- Online banking
- Short message service banking
- Telephone banking
- Mobile banking
- Interactive -TV banking
- Debit Card
- Credit Card
- Smart Card

Online banking

Online banking also called as internet banking, allows the customers to use all the banking services from a computer which has internet access.The customer can perform financial transactions on a secure website operated by the bank. Online banking offers features such as bank statements, loan applications, funds transfer, e-bill payments and account aggregation allows customers to monitor all their accounts in one place.

Telephone Banking

Telephone banking is a service provided by the banks which provides customers to perform transactions on phone.All the telephone banking systems uses automated answering system with keypad response or voice recognition capability.To prove their identity customers must provide a numeric or verbal password or answering the questions asked by the call center representative.In telephone banking customers cann't withdraws and deposits cash but can do all the other transactions.

Mostly there will be a customers care representative to which the customers speak although this feature is not guaranteed.The customers care representatives are trained to do what are available at the branch like cheque book orders, address change, debit card replacements.

SMS Banking

SMS banking is a service permitting banks to do selected banking services from the users mobile by the sms messaging.SMS banking services have push and pull messages.Push messages are sent by the banks for alerting customers about new offers, marketing messages, alerts to events happening in customers account such as large amount of withdrawals from ATM or credit card etc.

Pull messages are those that are sent by the customers to bank for having some information or to perform a transaction in their account.Examples include account balance enquiry, requesting for current exchange rates and for new offers that are launched.

The customers has a choice to select the list of services he need to be informed.This can be done by integrating to internet banking or speaking to the customers care representative of the bank call Centre.

Interactive -TV banking

Interactive TV is a service that allows users to interact with TV content as they view it.It is also called as I TV or id TV.If the customer subscribes to a cable television service some banking facilities like balance enquiry,funds transfer between accounts ,bills payment are made available all the way through TV.Most of the major banks in UK have experimented banking services through cable and satellite TV companies.

ATM

An automated teller machine (ATM) is an electronic banking outlet that allows customers to complete basic transactions without the aid of a branch representative or teller. Anyone with a credit card or debit card can access most ATMs. The first ATM appeared in London in 1967, and in less than 50 years, ATMs had spread around the globe, securing a presence in every major country and even tiny little island nations such as Kiribati and the Federated States of Micronesia.

An automated teller machine (ATM) is an electronic telecommunications device that enables customers of financial institutions to perform financial transactions, such as cash withdrawals, deposits, transfer funds, or obtaining account information, at any time and without the need for direct interaction with bank staff.

A debit card

A debit card is a payment card that deducts money directly from a consumer's checking account to pay for a purchase. Debit cards eliminate the need to carry cash or physical checks to make purchases. In addition, debit cards, also called check cards, offer the convenience of credit cards and many of the same consumer protections when issued by major payment processors like Visa or MasterCard.

A Credit Card

A credit card is a payment card issued to users (cardholders) to enable the cardholder to pay a merchant for goods and services based on the cardholder's promise to the card issuer to pay them for the amounts so paid plus the other agreed charges.[1] The card issuer (usually a bank) creates a revolving account and grants a line of credit to the cardholder, from which the cardholder can borrow money for payment to a merchant or as a cash advance. In other words, credit cards combine payment services with extensions of credit.[2] Complex fee structures in the credit card industry may limit customers' ability to comparison shop, helping to ensure that the industry is not price-competitive and helping to maximize industry profits. Due to concerns about this, many legislatures have regulated credit card fees.[3]

A credit card is different from a charge card, which requires the balance to be repaid in full each month.[4] In contrast, credit cards allow the consumers a continuing balance of debt, subject to interest being charged. A credit card also differs from a cash card, which can be used like currency by the owner of the card. A credit card differs from a charge card also in that a credit card typically involves a third-party entity that pays the seller and is reimbursed by the buyer, whereas a charge card simply defers payment by the buyer until a later date. https://en.wikipedia.org

A smart Card

A smart card, chip card, or integrated circuit card (ICC), is a physical electronic authorization device, used to control access to a resource. It is typically a plastic credit card sized card with an embedded integrated circuit.[1] Many smart cards include a pattern of metal contacts to electrically connect to the internal chip. Others are contactless, and some are both. Smart cards can provide personal identification, authentication, data storage, and application processing.[2] Applications include identification, financial, mobile phones (SIM), public transit, computer security, schools, and healthcare. Smart cards may provide strong security authentication for single sign-on (SSO) within organizations. Several nations have deployed smart cards throughout their populations.

Pre-Cautions to be taken

- Customers should never share personal information like PIN number, passwords etc. with any one.
- Documents that contain confidential information should be safeguarded.
- PIN and password mailers should not be stored, the PIN and password should be changed immediately and memorized before destroying the mailers.
- Customers are advised not to provide sensitive account related information over unsecured e-mail or over the phone.
- Take simple precautions like changing ATM PIN and online login and transaction password on regular basis.
- Ensure that logged in session is properly signed out.

Conclusion

Internet banking refers to the use of the internet as a delivery channel for banking services, which includes all traditional services such as balance enquiry, printing statement, fund transfer to other accounts, bills payment and new banking services such as electronic bill presentment and payment

A sound and effective banking system is the backbone of an economy. The technology holds the key to the future success of Indian Banks..The existence of Electronic banking also becomes inevitable due to the standards required to be matched at the international level. Thus, the domestic as well as the international standards mandates the adoption of Electronic banking which is an activity carried through computer and other electronic means of communication.

Technology is enabling banks to provide the convenience of anytime-anywhere-banking. Banks are now reengineering the way in which their services can be reached to their customers by bringing in flexibility in their "distribution channels". The earlier brick-and-mortar branch is no longer sufficient; technology is now taking banks to the homes or offices, 24 hours a day, 365 days a year through ATMs, phone banking and PC banking. The financial supply chain is undergoing a fundamental strategic change. Services of E-Banking

Though any type of transaction can be handled through E-banking in the initial phase most of banking transactions can be performed conveniently through internet banking.

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