

# A STUDY OF E-BANKING SYSTEM IN INDIA

YOGITA SHARMA\*

\*Ph.D Research Scholar, Department of Management, Bhagwant University, Ajmer, Rajasthan

**ABSTRACT** Information revolution led to evolution of internet, which lead to E- Commerce continued by evolution of E- Banking. Earlier Banking was conducted in very traditional manner, there were no such innovation. E – Banking or Electronic banking is a major innovation in the field of Banking. Banking is now no longer confined to the branches where one has to approach the branch in person, to withdraw cash, deposit a cheque, or request a statement of accounts. In true Internet banking any inquiry or transaction is processed online without any reference to the bank (anywhere banking) at any time. Providing Internet banking is increasingly becoming a “need to have “than a “nice to have “service. The net banking, thus now is more of a norm rather than an exception in many development countries due to the fact that is the cheapest way of providing banking services. The rapid development of E-banking services carries risks as well as benefits. This research paper will introduce you to e -banking giving the meaning, functions, and types. Advantages and challenges in adoption of E- banking. It also aims at suggesting some ways for making e- banking successful in the developing country like India.

## INTRODUCTION

In recent years, the world economy has gone through a new phenomenon, which is considered as one the most important changes since the industrial revolution, i.e. the birth of “Internet – based Economy”. Considering the benefit of using internet the banks have started to invest in this newly created market. Banks are playing a important role in the economic development country. Economic development of a country involves investment in various sectors of the economy. The bank collects small saving from the public for investment in various projects. In general banking the banks performs various agency works for their customers and helps economic development of the country. With the rapid development of technology, internet plays a significant role in changing banking scenario. It provides an online platform for various banking transactions through which it offers various services like online payment, online fund transfer, online stock trading and online shopping etc. The use of internet as a delivery channel for banking services is increasing widely in banking sector, Internet banking facilities institution and customers to access their accounts, transactions and getting information on financial products & services. Now a day’s most of the commercial banks have launched various services through internet banking including latest service like opening online saving accounts and demand for these services is increasing rapidly.

## INTRODUCTION TO E- BANKING

Virtual Banking / E-Banking / online Banking / Internet Banking / personal computer banking / home banking / remote electronic banking / phone banking, these are the synonyms for the Electronic Banking. Banking consumers today have more option than ever before:

- “ bricks and mortar” institution ( has a building and personal service representatives)

- “ bricks and click” institution ( physical structure + Internet bank services)
- “ virtual bank “ ( no public building – exists only online)

## E- BANKING

Is defined as the automated delivery of new traditional banking products services directly to customers through electronics, 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 personal computer (PC), personal digital assistant (PDA) , automated teller machine (ATM), kiosk , or Touch Tone telephone . Hence, it refers to perform the basic transaction by customers round the clock through Electronic media.

## EVOLUTION OF BANKING

E- Banking came into being in UK and USA in 1920s. It became prominently popular during 1960s through electronic funds transfers and credit cards. The concept of web- based banking came into existence in Europe and USA in the beginning of 1980s. It has been estimated that around 40 percent of banking transaction would be done through Net and bill payments.

## EVOLUTION OF E-BANKING IN INDIA

Opening up of economy in 1991 marked the entry of foreign banks. They brought new technology with them. Banking products became more and more competitive. There was need for differentiation of products and services. The ICICI Bank kicked off online banking in 1996. 1996 to 1998 marked the adoption phase, while usage increased only in 1999. Owing to lower Internet Service Provider (ISP) online charges, increased PC penetration and a tech- friendly atmosphere.

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 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
- Tele-banking
- Electronic Clearing Services
- Electronic Clearing Cards

- Smart Cards
- Door Step Banking
- Electronic Fund Transfer

#### THE THREE BROAD FACILITIES THAT E-BANKING OFFERS ARE

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

#### OBJECTIVES

1. To indentify various e-banking services/functions adopted by Indian banks.
2. To study and analyze the progress made by Indian banking industry in adoption of technology.
3. To study the challenges faced by Indian banks in adoption of technology and make recommendations to tackle these challenges.

#### FEATURES OF E-BANKING

- Easy Electronic fund Transfer facility.
- Better efficiency in customer relationship management.
- Making the payment of bills like electricity, telephone bills, and mobile recharge.
- It introduces virgin & innovative banking products & services.
- It can view of balance of accounts and statements.
- E- banking can bring doorstep services.
- Balance and transaction history search.
- Transaction history export.
- Order mini statements.
- Mobile banking.
- Pay anyone payments Multi Payments.
- SMS banking services.

#### FUNCTIONS OF E-BANKING

The personal e-bank system provides the following services: Inquire about information of account. The client inquires about the details of his account information such as the card's / account's balance and the detailed historical records of the account and downloads the report list.

#### Card Accounts Transfer

The client can achieve the fund to another person's Credit in the same city.

#### Bank – Securities Account Transfer

The client can achieve the fund transfer between his own bank saving accounts of his Credit Card account and his own capital account in the securities company. Moreover, the client can inquire about the present balance at real time.

#### Foreign Exchange Transaction

The client can do the real time transfer and get the feedback information about payment from our bank when the client does shopping in the appointed Web-site.

#### Client Service

The client can modify the login password, information of the Credit Card and the client information in e-bank on net.

#### Account Management

The client can modify his own limits of right and state of the registered account in the personal e- bank, such as modifying his own login password, freezing or deleting some cards and so on.

#### Reporting the Loss if Any

The client can report the loss in the local area (not nationwide) when the client's Credit Card or passbook is missing or stolen.

#### TYPES OF E-BANKING

- Deposits, withdrawals, inter- account transfer and payment linked accounts at an ATM;
- Buying and paying for goods and services using debit cards or smart cards without having to carry cash or a cheque book;
- Using a telephone to perform direct banking- make a balance enquiry, inter account transfers and pay linked accounts;
- Using a computer to perform a direct banking- make a balance enquiry. inter – account transfer and pay linked

#### ADVANTAGES OF E-BANKING

- Very low setup cost.
- Capability to cater to a very large customer base.
- Saves a lot operational costs.
- Bank can offer a lot of personalized services to their customer.
- Reduction of burden on branch banking.
- Ensures round the clock banking transactions to customers.
- Banks are able to provide efficient, economic and quality service to customers.
- Assists in increasing the speed of response to customer's requirements.

#### CURRENT SYSTEM OF E-BANKING IN INDIA

Internet Banking has become an integral part of banking system in India. The concept of e-banking is of fairly recent origin in India. Till the early90's traditional model of banking i.e. branch based banking was prevalent, but after that non- branch services were started. The Indian government enacted the IT Act, 2000, with effect from the 17<sup>th</sup> October 2000. To examine different aspects of Internet banking RBI set up a committee on Internet Banking. The committee had focused on three major areas of Internet banking, Technology and security issues, legal issues and regulatory and supervisory issues. RBI had accepted the suggestions and recommendations of the working committee and accordingly issued guidelines to banks to implement internet banking in India. The old manual systems which were prevalent in Indian banking for centuries seem to replaced by modern technologies.

Table-1 exhibit a few facts and figures related to internet/electronic banking to present its current scenario. It shows evidence for ATM, POS ( Point of scale) and electronic cards (credit and debit cards) deployed in India as on March, 2016 with March,2012. It shows growth rate of these banking channels and it seems to be great in Indian context .

Table-1

Type of electronic Channels	No. of Channels Year		Growth in Percentage
	March, 2012	March, 2016	
No. of Debit Cards Issued	95686	199099	108.07
No. of Credit Cards Issued	660920	1385668	109.65
No. of POS Deployed	17653818	24505219	38.81
No. of ATMs Deployed	278282839	661824092	227.82

From the above table it is clearly shown that no doubt Indian banks are making sincere efforts for the adoption of advanced technology and installation of e-delivery channels but still concept and scope of E-banking is still evolving. It facilities an effective payment and accounting system thereby enhancing the speed of delivery of banking services considerably. While E-banking has improved efficiency and convenience, it has also posed several challenges to the regulators and supervisors. Several initiatives taken by government of India, as well as Reserve Bank of India (RBI), have facilitated the development of E-banking in India , As already discussed, the government of India enacted the IT Act ,2000. Which provides legal recognition to electronics transactions and other means of electronic commerce? The RBI has been preparing to upgrade itself as a regulator and supervisor of the technologically dominated financial system. It issued guidelines on risks and control in computer and telecommunication system to all banks, advising them to evaluate the risks inherent in the system and put in place adequate control mechanisms to address these risks. The existing regulatory framework over banks has also been extended to E-banking. It covers various issues that fall within the framework of technology, security standards, and legal regulatory issues.

#### CHALLENGES IN ADOPTION OF E-BANKING

E-banking is facing following challenges in Indian banking industry;  
Not Safe and Secure

The most serious threat faced by e-banking is that it is not safe and secures all the time. There may be loss of data due to technical defaults.

#### High Startup Cost

E-banking requires high initial start up cost. It includes internet installation cost, cost of advanced hardware, software, modern, computers, cost of maintenance of all computer equipments, and cost of reorganizational structure.

#### Lack of Professional

There is shortage of web developer's content providers and knowledgeable professionals to perform banking activities through internet. Restricted Business; All banking transactions cannot be performed electronically. Many banking activities require personal visit of customers.

#### Improper Infrastructure

There is lack of proper infrastructure for the installation of e-delivery channels.

#### Not Techno Savvy

A majority of customers are not computer savvy.

#### Unavailability if Internet Services

Availability of internet band width and connectivity is not uniform.

#### Competition

The nationalized banks and commercial banks have the competition from foreign and new private sector banks. Competition in banking sector brings various challenges before the banks such as product positioning, innovative ideas and channels, new market trends, cross selling ad at managerial and organizational part this system needs to be manage , assets and contain risk. Banks are restricting their administrative folio by converting manpower into machine power i.e. banks are decreasing manual powers and getting maximum work done through machine power. Skilled and specialized man power is to be utilized and result oriented targeted staff will be appointed.

#### RECOMMENDATIONS

The following are certain recommendations to popularize e-banking services/products;

Create awareness about e-banking; bank should create awareness among people about e-banking products and services. Customers should be made literate about the use of e-banking products and services.

Special arrangements by banks; Special arrangements should be made by banks to ensure full security of customer funds. Technical defaults should be avoided by employing well trained and expert technicians in field of computer, so that loss of data can be avoided. Banks should use latest technologies with timely updates to secure customers valuable money from the hands of hackers.

Specialized training; Employees of banks should be given special technical training for the use of e-banking, so that they can further encourage customers to use the same.

Organizing seminar and workshop; Seminar and workshop should be organized on the healthy usage of e-banking especially for those who are ATM or computer illiterate.

Cater to need of customers; E-banking services should be customized on basis of age, gender occupation etc so that needs to requirements of people is met accordingly.

Proper infrastructure; Government should make huge investments for building the infrastructure. Security arrangements by customers; Customer should never share personal information like PIN numbers, passwords etc with anyone, including employees of the bank . Documents that contain confidential information should be safeguarded. PIN or password mailer should not be stored , the PIN/or passwords should be changed immediately and memorized before destroying the mail. Take simple

precautions like changing the ATM PIN and online login and transaction passwords on a regular basis. Ensure that the logged in session is properly signed out.

#### CONCLUSION

Finally, the study concludes that E-banking is need of the hour. Though there are lots of hurdles in the way of smooth implementation of E-banking in India but at the same time E-banking has bright future in India. It is golden path for banking sector in India to maximize its profits and also the customer base . That's why E-banking can never be neglected. Moreover the recommendations provided in this research are useful for the banks and also for the customers for better service and satisfaction respectively. Thus only those banks will survive in the future which all manage the changes as per technological developments and customer requirements because future of the banks ultimately stays in the hands of customers. They should be satisfied at any cost. Banks are making sincere efforts to popularize the e-banking services and products. Younger generation is beginning to see the convenience and benefits of e-banking. In years to come, e-banking will not only be acceptable mode of banking but will be preferred mode of banking.

#### REFERENCES

- (1). Shaik , Shakir, and Noor Basha Abdul “E-Banking Services-in Indian Scenario” International Journal of Management Research and Review 3.9(2013) ; 3545
- (2). Sharma, Geeta “Study of Internet Banking Scenario in India”. (2016 )
- (3). Kamath, K.V., et al, “Indian Banking Sector; Challenges and Opportunities” Vikalpa 28.3 (2003 ); 83-100 .
- (4). Lal, Dr. Roshan and Dr. Chouhan & choudhary, Apeejay – Journal of Management Sciences and Technology 2 ( 3) , June-2015 ( ISSN- 2347 – 5005
- (5). Reserve bank of India , Report on Trend and Progress of Banking in India , RBI Mumbai , Various issues RAJNI SALUJA “ E-Banking; The Indian Scenario” Asia Pacific Journal of Marketing& Management Review, ISSN 2319(2012); 2836 .