

## **E- BANKING – ITS IMPACT ON THE SOCIETY**

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### **Abstract**

Banks play a vital role in the life of each and every individual. They are financial institutions which deal with the circulation of money from the investors hand to the hands of the needy ones. These were carried out in the instant periods through direct services with the bank. But now by the advent of technology, the era of e-banking takes its place by shifting all the transactions through internet. Majority of the customers also find it as an easy venture rather than standing and waiting in long queues in the banks for settling their transactions. Various facilities like viewing account balances, ordering cheque books, bill payments, cash management, credit applications, demat holdings, financial advice, foreign exchange trading, insurance, online trading, opening accounts, requests and intimations, tax services, ATM services, telebanking, e-shopping, smart cards, asset management services etc., are being provided through e-banking. Even though our country is developing in these sectors, there are a lot of ill effects faced at present by the use of e-banking facilities like hacking of passwords while using net banking, ATM robberies etc. In the past month itself we faced a huge robbery in Kerala with regard to the hacking of ATM card numbers by fixing secret cameras in the ATM counters. Thus it is the duty on the part of the Government and the top management to enhance adequate measures for ensuring safe e-banking facilities through standardised encryption techniques in order to eliminate the pitfalls faced by these banks. Thus on one side it is a boon to the banks and to the society, but on the other side it faces a lot of ill effects which has to be overcome by the banking authorities to safeguard the investment of the society and to maintain a trust in the minds of the customers so that the future investments may not be wiped off from the hands of the bankers. The present study focuses on the impact of e-banking on the society and the various measures to overcome its illeffects.

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### **Introduction**

Banks are financial institutions which deal with accepting deposits from the public and lending the same to those who are in urge for it. It is basically a financial institution dealing with money. In India, there are around 27 public sector banks operating out of which 19 are nationalised and the remaining 6 are SBI and its associate banks, and the rest two are IDBI Bank and Bharatiya Mahila Bank, which are categorised as other public sector banks. There are in total 93 commercial banks in India. Almost all individuals in our society has to connect with the banks in a way or the other i.e., whether he or she is a minor, individual, senior citizen etc. So the need for easy access to banks has become a primary and important task in each and everyone's life. Due to increased use of banking services by all the citizens of our nation, their occurred a huge necessity of instant banking services as the customers had to wait in long queues in their respective banks to settle their transactions. At this moment, the advent of e-banking came to the venue which attracted majority of the customers towards the same as it was easily accessible from their respective homes or organisations were they carry

out their routine work. At present there are varying kinds of e-banking facilities provided by the banks to its customers on different terms and conditions.

## **E- Banking**

E-banking is otherwise called as online banking, also known as internet banking or virtual banking, is an electronic payment system 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.

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 etc.

## **Objectives of the study**

- To study the history of e-banking
- To analyse the importance of e- banking
- To analyse the features of e-banking
- To analyse the positive and negative effects of e- banking
- To analyse the role of banks in e-banking
- To analyse the role of the customers in e-banking
- To analyse the role of Government in e-banking.
- To analyse the precautions that are necessary while handling e- banking tools

## **History of E-banking**

The evolution of electronic banking started from the use of Automatic Teller Machines (ATM) and has passed through telephone banking, direct bill payment, Electronic Fund Transfer and the revolutionary online banking .The future of electronic banking according to some is the acceptance of WAP enabled banking and interactive-TV banking. But it has been forecasted that among all the categories, online banking is the future of electronic financial transactions. The rise in the e-commerce and the use of internet in its facilitation along with the enhanced online security of transactions and sensitive information has been the core reasons for the penetration of online banking in everyday life. According to the latest official figures from the Internet Live Stats, it is found that developed countries use more internet services than that of developing countries. At present India holds the second position after China i.e, 34.8% penetration in internet usage which indicates that subscriptions to the internet is growing by the passage of time and has now becoming a part of life. Email has become a mass market media channel for office workers and professional classes. The main changes in internet access have happened in the last five years and the internet has become an essential part of office life, and plays a key role in many homes. Broadband access is growing fast, but the number of home connections lags behind comparable markets; however although

the number of connections is low, a large number of people in high-end demographics have access.

The popular services covered under E-banking includes Automated Teller Machines, Credit Cards, Debit Cards, Smart Cards, Electronic Funds Transfer (EFT) System, Cheques Truncation Payment System, Mobile Banking, Internet Banking, Telephone Banking, etc.

### **Importance of E-banking**

- Due to increasing volumes of banking transactions, the advent of branchless banking gained importance.
- Branchless banking helps to reduce the stress of the officials of the organisation.
- Helps in providing customers with cost effective services.
- Business owners, accounting staff and other approved employees can access routine banking activity such as deposits, cleared checks and wired funds quickly through an online banking interface.
- E-banking offers ease of access, secure transactions and 24-hour banking options.
- All organisations rely on e-banking to eliminate runs to the bank and to make financial decisions with updated information.
- In an information-driven business climate the use e-banking are at a competitive advantage and has become a part of life.
- This ease of review helps ensure the smooth processing of all banking transactions on a daily basis, rather than waiting for monthly statements.
- Errors or delays can be noted and resolved quicker, potentially before any business impact is felt.
- Many activities are handled electronically due the acceptance of information technology at home as well as at workplace.
- Internet can be seen as a truly global phenomenon that has made time and distance irrelevant to many transactions.
- Both transactional and non-transactional activities can be carried out very easily.
- At present demonetization of rupees 500 and 1000 by the Government has brought out a very critical stage in the society. There is no circulation of money, no business, shops are found vacant and the people are striving hard for getting money and are found in front of ATMs and banks in large queues for hours spending majority of their precious time. Even the organisations are not able to provide daily wages and salaries to the workers. At this moment the necessity of e-banking attained importance. Both the banks and the government together are requesting the citizens of our country to carry out majority of their transactions through online amenities.

### **Features of E-banking**

- Through online banking a bank customer performs non-transactional tasks, including viewing account balances, viewing recent transactions, downloading bank statements, viewing images of paid cheques, ordering cheque books, download periodic account statements, 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 and third party fund transfers, investment purchase or sale, loan applications

and transactions, credit card applications, register utility billers and make bill payments, financial institution administration, management of multiple users having varying levels of authority, transaction approval process etc.

- Some financial institutions offer special internet banking services, for example: Personal financial management support, such as importing data into personal accounting software.
- Some online banking platforms support account aggregation to allow the customers to monitor all of their accounts in one place whether they are with their main bank or with other institutions.
- E Banking products and services offered in a two tier structure
  - A basic tier of internet banking products includes customer account inquiry, funds transfer and electronic bill payment.
  - A second or premium tier includes basic services plus one or more additional services like brokerage, cash management, credit applications, credit and debit cards, customer correspondence, demat holdings, financial advice, foreign exchange trading, insurance, online trading, opening accounts, requests and intimations, tax services, e-shopping, standing instructions, investments, asset management services etc.

## **Advantages of E-banking**

### **From customer's point of view:**

- Online account is simple to open and easy to operate.
- It is fast and efficient. Funds get transferred from one account to the other very fast.
- Transaction costs involved in e-banking is negligible.
- Convenience to customers as they are not required to go to the bank's premises and stand in long queues to pay off the bills.
- The customer can obtain funds at any time from ATM counters.
- The credit and debit cards enable the customers to obtain discounts from retail outlets.
- Twenty-four-hour access. It's a very convenient alternative for those who can't get to the bank during normal hours because of their work schedule, ill-health etc.
- One can access their account from virtually anywhere.
- Many features and services are typically available online.
- Customer has the control over every aspect of managing his bank accounts.
- Customers can avail the details of all types of transactions including balance enquiry.
- One can also manage several accounts easily through internet banking.
- There is an ease of monitoring their account at any time, know about any fraudulent activity or threat to the account before it poses severe damage.

### **From the banks point of view:-**

- Very low setup cost.
- Capability to cater to a very large customer base.
- Saves a lot of operational costs.
- Banks can offer a lot of personalized services to their customers.
- Reduction of burden on branch banking.
- There is very low incidence of errors.
- Ease of review helps ensure the smooth processing of all banking transactions on a daily basis, rather than waiting for monthly statements.

- Errors or delays can be noted and resolved quicker, potentially before any business impact is felt.
- Bank officials can concentrate more on other operational activities thereby reaping more profits.
- Opting for e-banking minimizes business overhead and banking expenses.
- Payments are made on time and prevent errors caused by keyboard slips or user error.
- Electronic files and daily reviews of banking data can be used to double or triple check vital accounting data, which increases the accuracy of financial statements.
- E-banking offers visibility into banking activities, which makes it harder for under-the-table or fraudulent activities to occur.
- E-banking provides the bank with an almost paper less system.
- With better and faster options, a bank is able to create better customer relations.
- Acts as a medium for the banks to endorse their products and services.

### **Disadvantages of Internet Banking**

- The use of electronic banking has placed additional responsibilities on the customers to transact with the service.
- E-banking is unsecure due to cyber-thieves eyeing to steal the personal and financial information thereby losing all money (phishing).
- E-banking reduces the social contacts between bankers and customers, also between the customers towards the society as majority of the transactions like purchase, sale etc., would be carried out through internet, converting human era into a stereotyped.
- Increased expense due to charging of internet.
- Customers are compelled to have computers at home with internet access.
- Only literate people with computer knowledge can access e-banking facilities.
- The present system of authentication does not address the security aspect in full and the need for a legal and regulatory framework poses another major issue.
- Understanding the usage of internet banking might be difficult for a beginner at the first go. Though there are some sites which offer a demo on how to access online accounts, but not all banks offer this facility. So, a person who is new might face some difficulty.
- One cannot use it, in case; the bank's server is down.
- Any major problems or disastrous management in e-banking can destroy the banks reputation quickly and easily.
- Flaws in design, implementation and monitoring of bank's system.
- Customer always worries about their protection and security or accuracy.
- Even now people prefer to go to the banks for transactions as they are used to it.
- People wishes to have a bank receipt.
- Negative perception of e-banking services in the minds of the society.
- Less awareness and familiarity regarding new technologies and their benefits.
- There are even people who wishes to hold cash liquidly which makes them more satisfied than that of online transactions.
- English Language acts as a barrier while performing e-banking for many of the customers.
- One of the latest issues faced in India, was the ATM robberies by foreigners who fixed secret cameras inside ATMs counters.

### **Suggestions**

**In General:-**

- All developed countries especially Western and European countries makes use of e-banking in a large manner. If the same is adopted here, it would enhance our economic status thereby moving to a phase of enhancement.
- Increased use internet access would help to reduce the production of papers thereby leads to safeguarding of environment by shrinkage in the cutting of trees which helps us to move to the phase of development.
- Around 500 to 900 kg of wood is necessary to produce a tonne of paper. Developing our nation in the field of e-literacy, would really enhance to reduce the usage of paper drastically.

**For the banks:-**

- Initially the banks had security for ATMs. But at present we are not finding any kind of security in front of these ATM counters. Even though the cost involved in maintaining a security guard in front of ATMs is high, it would be better if the same is adopted which would help to reduce theft and other attacks that too even against the customers who access ATMs.
- At present 34.8 % penetration in internet access is found in our country. If proper awareness and training as to how to use internet and e-banking tools are provided by the banking officials to the society, it would help our nation to be more efficient.
- Banks should take some initiatives to bring free educational literacy among the rural folk by providing funds or through sponsorships.
- Banks must take initiatives to improve literacy and awareness in e-banking in the villages by clubbing with the local bodies.
- Banks must make a step to develop villages in all sense. It can perform some welfare measures which are striking in the minds of the society thereby turning the society into the path of banks channel.
- Banks has to mould an educated new generation with latest technology thereby contributing to overall development of our nation.
- Banks can provide awareness on illegitimate sites, not to click or get attracted with pop ups or advertisements that comes nearby side of computer screen etc. to colleges, schools, other institutions, organisations.
- Our country is rich with efficient software human resource. Thus, the banks or government itself can take them and ask for producing high security software's to prevent against hacking, phishing etc. So efficient experts in software field is an utmost necessity to eliminate online theft.

**For the customers:-**

- Customers must carry out shopping's and other ventures only from legitimate sites.
- It would be better if the people make use of the traditional way of purchasing dress and other needy products directly from the shops rather than using sites. They should take it as a pleasure to roam with their family members for shopping which gives much satisfaction to each and every one of their family.
- It is the duty of each every customer to change their password from time to time and memorize the same, or else there are chances for the same to be misused.
- Customers 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 mailers should not be stored, instead it should be changed immediately and memorised before destroying the mailers.
- Customers are advised not to provide sensitive account- related information over unsecured e-mails or over the phone.
- It is necessary to ensure that the logged in session is properly signed out.
- To protect the systems against Trojan horses, users should use virus scanners and must be careful with downloaded software or e-mail attachments.
- Customers must access the banking officials before starting e-banking, ask for all loopholes that can be avoided, the details of hackers, phishers, its form etc.
- Customers must not to click for all the advertisement, pop ups etc. that comes between the transaction so that they may not get deviated from the actual work.

## Conclusion

The advent of internet has brought out a drastic revolution in the global banking sector. The dynamic and flexible nature of e-banking has helped in leveraging a variety of banking activities. Banks mainly focus on e-banking partly due to consumer demand and partially due to severe competition. Thus it has become a necessity for each and every bank to have e-banking access without which the survival of the same in this competitive world is unimaginable. It should take initiative to create awareness among people on e-banking products and services and render certain extension activities in order to withhold and attract customers.

Even though a lot of benefits are acquired from e-banking practices, the same is not free from challenges and ill effects. Precautions have to be taken by the organisation together by our Government as the future growth of India vests in the hands of technologists. So it clear that technology has empowered our society both quantitatively and qualitatively.

Electronic banking is a wave of the future and the efficient profitable organisation will be those which would be able to meet this along with its competitors. E-banking has emerged as a supreme power in the whole world which can't be negotiated in any mode.

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