

E - BANKING

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ABSTRACT

India's Banking sector has made rapid strides in reforming and aligning itself to the new competitive business environment. Indian Banking Industry is in the midst of the Information Technology Revolution and its changes has put forth the competition among the Banks world wide. The Information Technology has transformed the functioning of the businesses world wide by bridging the gaps in the terms of reach and the coverage of system. The Technological infrastructure has become an indispensable part of the reforms process in the banking system. The Financial reforms that were initiated in the early 90s and the globalisation and liberation measures brought in a new operating environment to the banks which involves services such as: anywhere banking, Tele Banking, E- Banking, Internet Banking, Web- Banking, ATMs, etc. The banks in India have upgraded their capability to handle business volume which is made possible by implementing technology driven transaction banking systems. To attain the satisfaction and comfort of the customers, the banks are trying hard to meet the upcoming demands of the customers by offering the innovative and attractive packaged technology based services to their customers. Large scale use of information technology by banks has resulted in computerization of branches of banks and their inter – connectivity by means of safe and reliable networks.

Key words : SWIFT , EFT , EBP , CORE BANKING , BPAY

INTRODUCTION

Banking sector plays a very important role in human life. Banks motivate people to make savings for their future. They provide a number of facilities to the people. Banking service has become a need of the society. New technology has made a tremendous impact on banking. Now anybody can get banking services anytime , anywhere , wherever and whenever needed. E – Banking also known as Internet Banking / Online Banking / Virtual Banking. It is an electronic payment system that enables customers of a bank or other financial institutions to conduct a range of financial transactions through the financial institutions website.

E – 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. Today all the public sector banks are on the threshold of achieving the status of hundred percent computerization of their business. While the new private sector banks have all commenced as entities with fully computerised operations. The invention of internet influenced banking sector also . Internet totally changed the face , figure and the personality of the bank . Internet has challenged the physical identity of banks . Banking has broken the shackles of time and place , as internet has made banking possible 24 hours in every corner of world . The world is changing at a staggering rate and technology is considered to be the key driver for these changes around us . Many activities are handled electronically due to the acceptance of information technology at home as well as at work place . Internet banking transactions are slowly taking over the physical banking transactions happening at the counters .

E – Banking / Online Banking – is a generic term for the delivery of banking services and products through the electronic channels such as the telephone , the internet , the cell phone etc . It facilitates an effective payment and accounting system thereby enhancing the speed delivery of banking services considerably . Several initiatives have been taken by the Government Of India as well as the Reserve Bank Of India have facilitated the development of E – Banking in India . The Government Of India enacted the information technology Act 2000 , which provides legal recognition to electronic transactions and other means of electronic commerce .

SCOPE OF THE STUDY

At the present scenario electronic banking is an upcoming trend in today's commercial world. It is widely demanded by citizens, companies and various organizations. The advent of internet has initiated an electronic revolution in the global banking sector. The dynamic and flexible nature of this communication channel has helped in spreading a variety of banking activities globally. The study focuses on the upcoming technological advancement in E – Banking. In today's demanding world we need instant banking solutions for a better lifestyle.

OBJECTIVES OF THE STUDY

1. The main objective of the study is to understand Banking Sector
2. To understand the emerging technological trends in Banking Sector in India.

RESEARCH METHODOLOGY

This research is based on the analysis of the secondary data and the research proposes to throw light on the emerging technology trends in Banking sector. Data have been collected from various books and websites.

INTERNET BANKING

Business being large or small are being impacted as result of the influence of the internet. Organisations have become learner, more profitable and more competitive. In addition banking services extend perfectly onto the internet, as there are no queues, customers can bank at their leisure and obtain detailed information about services and products without being hurried by customers waiting in line. ABSA bank was the first to offer online services, followed by Nedcor with Standard bank, FNB and Mercantile bank following soon after. Customers were attracted to the convenience, safety and lower costs of online banking. Banks use advanced verification and authentication principles, incorporated with technologies such as short message service (SMS). All these technologies are used to ensure that the users internet banking experience is safe and secure.

Data security and theft are still major headaches for financial institutions, the advanced technology offers its users an extensive range of benefits and opportunities. One of the greatest benefits that internet banking offers its customers is that of convenience. Customers have the choice to do internet banking from home or at their offices anytime during day or night. E – Banking forms are normally streamlined through simple and efficient processes. The Indian Banking Industry is in the midst of the Information Technology Revolution and its changes has put forth the competition among the Banks world wide.

It is observed that after the Liberalisation, the utmost need of the hour was that the banks should give top priority and preference to the customer service and should cater to their needs at all times. The Financial reforms that were initiated in the early 90s and the globalisation and liberalisation measures brought in a new operating environment to the banks which involves services such as: anywhere banking, Tele Banking, E- Banking, Internet Banking, Web- Banking, virtual Banking, Mobile Banking, credit Cards, Debit Cards, Automatic Teller Machines Facility, Electronic Clearing Services, Electronic Fund Transfer, SWIFT, Core Banking, Real-time Gross Settlements, Electronic Payment Services etc. To attain the satisfaction and comfort of the customers, the banks are trying hard to meet the upcoming demands of the customer by offering the innovative and attractive packaged technology based services to their customers.

The Banks in India are undergoing adoption of core banking system. It is worth to make a note that the transition from single channel banking to multi-channel banking has enabled tremendous customer convenience. It is also being appreciated worldwide for its services and convenience rendered to the customers of the bank. The banks in India have upgraded their capability to handle business volume which is made possible by implementing technology driven transaction banking systems. The banks try to prioritize the technological investments to meet the challenges that emerge out of the significant shifts in the business environment, economic volatility, and changing customer expectations.

The nature of E – Banking services in the banking industry are as under :

- Electronic purse card
- Cards for mail, telephone & internet use only
- Internet banking
- Mobile banking
- Core banking

Electronic payment of bills
 Delivery of financial products online
 ATM facilities
 Full service brokerages
 SWIFT
 Electronic Fund Transfer

ELECTRONIC PURSE CARD : Smart card based electronic purse system in which value is stored on the card chip, not in an externally recorded account, so that machines accepting the card need no network connectivity .

CARDS FOR MAIL , TELEPHONE & INTERNET USE ONLY :Special prepaid visa cards for mail order / telephone order (MOTO) and internet use only are made available. They are sometimes called ‘ virtual visa cards ‘ .Although they usually exist in the form of plastic . An example is 3V . Such a card prevents fraud by a card number thief even if the card is not blocked because the customer normally does not store any money on the sub account and fraudulent transactions do not get authorized by the bank .

INTERNET BANKING : Internet has touched almost all the aspects of our lives and made the world’s information available to man in just his finger tip with the help of the Internet. Internet Banking is also known as the e-banking. It is the latest in the series of the technological wonders, which uses the Internet for delivery of banking products and services in the recent years. Today, when the customer is king and the service providers are rushing to pay obeisance to the king, financial service providers cannot be left behind. In their quest to differentiate their services and gain competitive advantage over their competitors, the financial service providers are trying to provide their services to the customers in the comfort of their homes. The Internet has emerged as a convenient channel for these service providers’.Internet banking enables its customers to get their inquiries or transactions processed online without any reference to the branch at any time, i.e. anywhere and anytime banking. Internet Banking allows the Banks to overcome the trade-off between content and reach, it also enables Banks to provide services to a much wider audience.

MOBILE BANKING: Mobile devices are commencing to conceal personal computers as the electronic channel for businesses and consumers. World’s total population is mobile customers, who are located in budding markets, where they have no alternate than to depend on the electronic communication with the help of a mobile phone. Mobility enables the banks with admittance to novel and enhanced utilization of channels such as independent financial advisors, who are employed by banks to prospect for new clients. For employees, mobility means using location-aware mobile devices and applications, as well as being able to access remote data from a far to make key decisions quickly. The Telecom Technology proliferating in India at an immediate speed. A large part of the population is outside the banking coverage and in such cases; the mobile banking innovation appears to assure that is far more comprehensive than any single scheme for taking banking to all. These days when you link bank to your mobile phone, you get all the statements of the current balance available in your account and if any transaction is done without your knowledge it can give you a alert message by giving the correct details of the when and where your debit card was swapped.

CORE BANKING: These days we often find most of the Banks using the core banking applications. CORE is an abbreviated form of “Centralized online real-time exchange”. This portrays that the entire bank’s branches access applications from centralised data centres which enables the deposited amount’s reflection on the bank’s servers and the customer can withdraw the deposited money from any of the bank’s branch throughout the world.

ELECTRONIC PAYMENT OF THE BILLS: Electronic Payment of the Bills is also known as Electronic Bill Payment (EBP). It has important strategic dimensions, as it can become an integral part of a bank’s portfolio of services and can be used to attract customers to the bank by making transactions more efficient and enabling customers to access their financial information more easily. Its rightly said that, ‘Online, interactions allow use of such tools as e-CRM to create a more intimate relationship with the customer and promote and deliver other online products and services’. It is only possible if they get tied up with the Mobile companies and if we look around we see people paying their bills on mobiles and soon the days are going to come when the bills will be addressed to us on mobiles rather than on papers.

DELIVERY OF FINANCIAL PRODUCTS ONLINE: Banks are enabling their customers to sit at home and do the shopping. It also at times enables them to have loans for their cars, houses, education, etc. They accept the Credit Cards and Debit Cards of the customers for the payment of the goods or products purchased online. The banks are setting up their own portals for shopping .

AUTOMATIC TELLER MACHINES FACILITY (ATM Facility): Even though India is measured to be the back office of the world in terms of providing back-end tech services. ‘ATM is a computerised telecommunications device that provides a financial institution’s customers a method of financial transactions in a public space without the need for a human clerk or a bankteller.’ Indian banks are neither outsourcing tech services nor there is a noteworthy plan to create a collective infrastructure, for instance, all the banks in India are

creating their own ATM network whereas a common ATM network instead of shared basis for all the customers of the banks. ATMs have now become bank sceptic. In the same way, there are plenty scopes of building up of large data centres where smaller banks can use the facilities on rental basis to amalgamate their business in cost-effective manner and there are also too many services in banks that can be outsourced like transaction reconciliation, settlements, customer data integration, ATM operations, etc. Most of the people use their Debit Card/ATM Card to pay their food and purchase bills as well. 'Also, most ATMs enable card holders from the other banks to get their account balance and withdraw cash, even if the card is issued by a foreign bank.' Earlier the ATMs only provided the facilities of withdrawal of money but now with the advent of advancements in technologies the Banks also provides the facilities of requesting for cheque books and also cheques can be deposited in the ATM Branches. It also solved the problem of losing one's Debit Card by asking the for Pin Number at Shopping centres that earlier had just the swap scheme but now when it demands for the Pin Number the thieves can't access it even if he has the card.

FULL SERVICE-BROKERAGES: We can see many banks have started getting tied up with the online brokerages and started the e-trading business, which will enable their customer to buy or sell the shares online.

COMMUNICATION TECHNOLOGY (SWIFT): SWIFT stands for Inter Bank Financial Telecommunication and it came into existence as a co-operative organisation by International Banks and Foreign Investors. It provides computer based network for multinational stage transmission amongst international banks in the member countries.

ELECTRONIC FUND TRANSFER (EFT): The Electronic Fund Transfer was introduced by the Reserve Bank of India for the Public Sector Bank. It was started with the vision to help the Public Sector Banks to cater to the needs of the customers by helping them with ease money transfer services from one branch to any bank. Real-time Gross Settlement (RTGS): The RTGS Systems were launched in India in March 2004 and meets the needs of the people in Real-time basis as its name suggests. The RTGS systems are operated and sustained by the Reserve Bank of India. It is the fastest and efficient means of funds transfer among banks facilitating their financial operations. It uses computer and electronic technology in place of checks and other paper transactions. EFTs are initiated through devices like cards or codes that let you, or those you authorize, access your account. Many financial institutions use ATM or debit cards and Personal Identification Numbers (PINs) for this purpose. Some use other types of debit cards that require your signature or a scan. For example, some use radio frequency identification (RFID) or other forms of "contactless" technology that scan your information without direct contact with you. The federal Electronic Fund Transfer Act (EFT Act) covers some electronic consumer transactions.

Here are some common EFT services: ATMs are electronic terminals that let you bank almost virtually any time. To withdraw cash, make deposits, or transfer funds between accounts, you generally insert an ATM card and enter your PIN. Some financial institutions and ATM owners charge a fee, particularly if you don't have accounts with them or if your transactions take place at remote locations. Generally, ATMs must tell you they charge a fee and the amount on or at the terminal screen before you complete the transaction. Check with your institution and at ATMs you use for more information about these fees.

Direct Deposit lets you authorize specific deposits — like paychecks, Social Security checks, and other benefits — to your account on a regular basis. You also may pre-authorize direct withdrawals so that recurring bills — like insurance premiums, mortgages, utility bills, and gym memberships — are paid automatically. Be cautious before you pre-authorize recurring withdrawals to pay companies you aren't familiar with; funds from your bank account could be withdrawn improperly. Monitor your bank account to make sure direct recurring payments take place and are for the right amount.

Pay-by-Phone Systems let you call your financial institution with instructions to pay certain bills or to transfer funds between accounts. You must have an agreement with your institution to make these transfers.

Personal Computer Banking lets you handle many banking transactions using your personal computer. For example, you may use your computer to request transfers between accounts and pay bills electronically.

Debit Card Purchase or Payment Transactions let you make purchases or payments with a debit card, which also may be your ATM card. Transactions can take place in-person, online, or by phone. The process is similar to using a credit card, with some important exceptions: a debit card purchase or payment transfers money quickly from your bank account to the company's account, so you have to have sufficient funds in your account to cover your purchase. This means you need to keep accurate records of the dates and amounts of your debit card purchases, payments, and ATM withdrawals. Be sure you know the store or business before you provide your debit card information to avoid the possible loss of funds through fraud. Your liability for unauthorized use, and your rights for dealing with errors, may be different for a debit card than a credit card. Electronic Check Conversion converts a paper check into an electronic payment in a store or when a company gets your check in the mail. When you give your check to a cashier in a store, the check is run through an electronic system that captures your banking information and the amount of the check. You sign a receipt and you get a copy for your records. When your check is given back to you, it should be voided or marked by the merchant so that it can't be

used again. The merchant electronically sends information from the check (but not the check itself) to your bank or other financial institution, and the funds are transferred into the merchant's account.

When you mail a check for payment to a merchant or other company, they may electronically send information from your check (but not the check itself) through the system; the funds are transferred from your account into their account. For a mailed check, you still should get notice from a company that expects to send your check information through the system electronically. For example, the company might include the notice on your monthly statement. The notice also should state if the company will electronically collect a fee from your account — like a "bounced check" fee — if you don't have enough money to cover the transaction.

SUGGESTIONS

The following suggestions are recommended for enhancing e-banking / internet banking services of banks to the customers

- 1) Banks should take necessary steps to create awareness among rural people about the advantages of e-banking / internet banking services available in the banks.
- 2) The e-banking / internet banking system should be enhanced to make the online enquiry and online payment much more easier to the customers.
- 3) Though e-banking / internet banking is convenient and easy to use, customers are afraid of adopting these services because they think that using these "services are difficult and complicated". So, on-site training can be provided to the bank customers who intend to use e-banking / internet banking service.

CONCLUSION

To conclude, Banks have come to apprehend that survival in the new e-economy depends on delivering some or all of their banking services over the Internet with the help of all the latest trends in Technology and will be able to truly reinforce their relationship with their customers at large. It is rightly marked "Information Technology is an inevitable resource to be considered to ensure an effective and competitive environment, which is adaptive and collaborative to change". It is identified that time saving and less cost tend to influence the bank customers intention to continue using this internet banking site in the whereas providing accurate , relevant and upto date information and easy accessibility with convenience and assisting to share the experience with bank and other customers more efficiently tend to influence the bank customers to strongly recommend to others to use E – Banking / Internet banking in the future.

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