

# Opportunities of Electronic Banking System in India – A Study

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## Abstract

The process of globalization and liberalization has virtually transformed the way of business across the globe. The technological innovation of improvements in the communication networking helped the banking sector activities through re-engineer its works. E-Banking is considered as an important input for rapid growth of economic development by providing mechanism of electronic inputs to the banking sector. E-banking is the banking of new era. The term Internet Banking or E-Banking Internet both are used as supplement. E-Banking system makes the banking transactions easy for the bankers as well as customers in the modern world where all persons are busy with their hectic schedule. In fact, banks have been using electronic and telecommunication networks for delivering a wide range of value added products and services. The devices have been telephone, personal computers including Automated Teller Machines (ATM).

The wind of globalization has affected each and every sector of its economy and entered into all the activities of the banking sector. Though the E-Banking system developed in the late '1980s and referred to the use of a terminal, keyboard and TV (or monitor) to access the banking system using a phone line. 'Home banking' can also refer to the use of a numeric keypad to send tones down a phone line with instructions to the bank. Online services started in 'New York' in 1981 when four of the city's major banks (Citibank, Chase Manhattan, Chemical and Manufacturers Hanover) offered home banking services using the videotex system, television system and telephonic system. The UK's first home online banking services were set up by the 'Bank of Scotland' in year 1983. The system (known as 'Homelink') allowed on-line viewing of statements, bank transfers and bill payments. In order to make bank transfers and bill payments. Though E-Banking system was more popularized amidst of the foreign countries later on in the early 1990's E-Banking system developed in India too and development was not possible without creating sufficient infrastructure or presence of sufficient number of users. The experience of ICICI Bank Ltd. and HDFC Bank Ltd. shows that the number of transactions carried out on the internet is very limited in India. E-Banking refers to electronic banking and it is an automated delivery of new and traditional banking services which provides electronic facility for business and commercial transactions to its customers. This paper intends to study the mechanism of net banking, e-banking in the nationalized banking corporations of India and also its of various instruments like loans debentures and bonds.

*Key words: E-Banking, net banking, business, commercial transactions, globalization, Automated Teller Machines*

## Introduction

E-banking is the easiest way to carry out banking transactions in today's hectic schedule. E-Banking is also called as i.e. Internet Banking, Net Banking, Virtual Banking or Online Banking. E-Banking (or I-banking) means any user with a personal computer and a browser can get connected to his bank's website to perform any of the virtual banking functions. In internet banking system the bank has a centralized database that is web-enabled. All the services that the bank has permitted on the internet are displayed in menu. The fact is that many services that are now being offered with online banking are almost impossible to avail of in regular banking.

E-Banking has numerous benefits to offer. Nowadays, all banks provide online banking facility to their customers as an additional advantage. Gone are the days, when one has to transact with a bank which was only in his local limits. Online banking has opened the doors for all customers, to operate beyond boundaries. The popular services covered under E-banking include :-

- Automated Teller Machines(ATM)
- Credit Cards
- Debit Cards
- Smart Cards
- Electronic Funds Transfer (EFT) System
- Cheques Truncation Payment System
- Mobile Banking
- Internet Banking
- Telephone Banking

E-Banking system removes the traditionally geographical basis as it could reach out to all the customers of different countries and regions. The popularity of internet banking is growing rapidly as the transactions are becoming faster and more convenient. Internet banking is the latest development that has added a new dimension to banking transactions by making it more convenient, which has eliminated the long wearisome queues. But, there are some serious problems that a customer may encounter while banking through the internet, due to which many still prefer to go directly to the banks instead of availing this facility. There are certain problems of E-Banking system which are as follows:

Computer and Internet knowledge is very much required for using the facility of E-Banking by the customer because of which limits number of persons willing to avail this facility. Therefore it is the major problem in the country like India where literacy ratio is low.

While banking through the internet, you have to be careful about the security of your internet bank account. The security of your internet bank account depends to a great extent on the security of your computer, password and pin number. Any leakage of information regarding your password or pin number and banking transactions can allow computer hackers to gain access to your bank account, which is the most common internet banking problem. This can even lead to unauthorized and criminal transactions being conducted without your knowledge. By the time you get your bank statement and detect such transactions, it may be too late.

Some proxy websites can easily access customer's bank account, if they can crack one's user name, password or pin number. Due to such security problems, many people are apprehensive about internet banking.

### **Objective:**

This paper author plans to analyze the e payment mechanism of the nationalized banking entities of India and also the effects of e payment mechanism in the overall economy with an overview of the the economy of the industries

### **Challenges e-banking system in nationalized banking, PSB**

Though E-Banking system saves the time of customers but it is very difficult to use this facility by customers who do Lack of trust on d machines provided by the banks may be another problem as there is no safety of money through online banking.

- Technical problems with respect to the computers and internet facilities may be one of the problems which must be taken into consideration.
- Customer is always in problem with respect to the security of its password, pin number and bank related information.
- Customer care service also does not provide accurate information always as numbers of transactions are increasing along with customers.

E-banking system has gained wide acceptance internationally and it can be considered as a remarkable development in the banking sector. In India also the things are changing fast and most of the banks are providing E-Banking services to their customers and there are many advantages of using E-Banking service to the customers which are as follows:

- Paying Bills Online is the major advantage to the customer's who can pay bills i.e. telephone, electricity, shopping, loans amount (EMI) and payment of tickets booking online.
- Time saving and easy to get information of bank account.
- Customers are no longer required to wait in those long and crowded queues of the banks to request a financial transaction or statement.
- E-Banking offers convenience to the customers as they are not required to go to the bank's premises.
- E-Banking provides monthly e-statement facilities to the customers which saves the time of bankers as well as customers.
- Low incidence of errors increases the number of users/customers of E-Banking which results in the great advantage.
- The customers can obtain funds at any time from ATM machines.
- The credit cards and debit cards enables the Customers to obtain discounts from retail outlets.
- Reduction in the administrative costs and paperwork related to the transactions. Besides, banks can also cater to the needs of thousands of customers at the same time. All these factors have significantly increased the profit margins of commercial banks by lowering their operating costs.
- Transactions of transferring of funds from one person account to another person's account became much more faster and convenient both national and international level.
- Accessing bank account information at any day or any time irrespective of banks off working hours.

- Quickest way to check and see if a transaction has cleared your account. This can help you to find out the amount of a transaction after you have lost your receipt.
- E-Banking also allows customers to find out about unauthorized transactions of their accounts more quickly and to resolve the issues more quickly.

E-banking has various advantages which improves the banking system but there are disadvantages of using internet banking. These are as follows:

#### 1.Security issues

Internet banking is completely insecure as there are many problems related to the website and data can be hacked by the hackers. It can lead to financial loss to the users. The financial information can also be stolen that can also create financial loss.

#### 2.Lack of direct contact between customer and banking officer

Online banking requires effective customer service for handling issues faced by the user. But lack of customer support creates disappointment among the customers. There are some online payments which may not be reflected in the system due to technical issues. It also creates insecurity among the customers. Thus the lack of support from customer service executive is a barrier in online banking.

#### 3.Transaction problem

During online banking there are various issues faced by the user such as transferred payment is not reflected, payment failed, and other issues due to technical support.

#### 4.Long procedure to access e-banking

In some countries, government banks are providing internet banking by filling the internet banking form then after approval you can access security password to log in. An individual need to download the App of specific banking then all credentials needs to be filled for login successfully (Sharma, 2016).

#### 5.Training and development

The banks need to conduct training and development program for employees for providing quality online services which enhance the customer experience. It requires huge investment to train them for providing effective services.

### **Security Risks**

Most banks ensure that their sites are secure, yet no bank site is invulnerable from digital wrongdoing and hacking. Programmers target bank sites to swipe account data. Not exclusively can wholesale fraud put you out of hundreds, maybe even thousands, of dollars, however it can set aside effort to address the harm, and it's evaluated that lone 25 percent of digital violations are settled. So despite the fact that your bank may guarantee that its site is secure, you ought to consistently continue with alert, particularly in case you're banking from your cell phone.

### **ATM**

One inconvenience of Internet banking identifies with pulling back cash. While most organizations acknowledge charge and Mastercards, individuals despite everything like to have money on them as well. Subsequently, you can't pull back money over the Internet so you despite everything need to visit your bank's physical area, or eat administration expenses by pulling back cash at an ATM that is not related with your bank. This turns out to be significantly all the more testing on the off chance that you have a place with an online-just bank, as you might be compelled to pull back money through snail mail or paying ATM charges at each withdrawal.

### **Store Limitations**

All things considered, your check is straightforwardly stored into your financial balance, sparing you an excursion to the bank. In any case, there are still occasions when you'll need to make a store to your record. Albeit numerous banks have discharged portable applications that permit you to examine a photograph of your check for programmed store, this component is helpful just for individuals who claim advanced cells. The individuals who don't must visit their bank's physical area to store cash or send the store in by means of snail mail for online-just banks.

### **Client support**

Albeit online banks have actualized talking highlights and offer client care numbers for those with questions and requests, it despite everything doesn't measure up to the client care you'll get by banking at a physical bank area. For example, in the event that you are nearby, you can meet with workers and get data on significant subjects, for example, financing, charge card rates and sorts of credits all notwithstanding standard banking.

### **Net Banking and growth of customer experience**

E-Banking poses some different risks as compared to the traditional banking. These risks are more pronounced in the case of Internet banking. Firstly, the risk of technological changes has to be carefully watched. This is essential to update technologies and remain cost effective and customer friendly. The banks have to be careful about risks involved in agreements with third parties. The security is an important area of risk. In fact it will be very crucial for the expansion of Net Banking. Another important area will emerge out of cross-border implications as 'E- Banking' breaks the geographical boundaries. Imposing regularity conditions on such transactions will be a difficult task.

Reserve Bank of India being the highest authoritative bank and main head of all the nationalized banks in India, had set up a 'Working Group on Internet Banking' to examine different aspects of Electronic Banking (E-banking). The Group had focused on three major areas of E-banking, i.e. (i) technology and security issues, (ii) legal issues and (iii) regulatory and supervisory issues. Accordingly, the following guidelines are issued for implementation by banks. Banks are also advised that they may be guided by the original report, for a detailed guidance on different issues.

If your bank will not pay bills online, you may consider paying through the company's website. Be careful since some of these companies may charge a convenience fee. Some places will charge a fee for a debit card, but not if you set up a direct debit. If you access your bank's website on your mobile phone, the bank's app typically allows you to deposit checks with just a snapshot of the document. This means that you can handle all of your banking without ever going to the bank. However, keep your eyes open for any convenience fees associated with online bill pay.

View Your Transactions Online banking allows you to access your account history and transactions from anywhere. This is the quickest way to check and see if a transaction has cleared your account. You can also find out the amount of a transaction after you have lost your receipt. It also allows you to find out about unauthorized transactions more quickly, helping you resolve any issues right away. Some banks will show you pending transactions. These are transactions that you made that day. If you spot something you did not authorize, you can contact your bank and the vendor in order to reverse the charges. The sooner you catch a problem like this, the more quickly you can resolve it. Pending transactions may not be for the exact amount of the purchase. For example, if you leave a tip, this will not show on the pending transaction, so keep that in mind as you balance your account. Transfer Money Between Accounts Online banking also allows you to transfer money between accounts much more quickly and check on your available funds before spending money. It is more convenient than using the automated phone service and can save you a trip to the bank. When you apply or set up your online banking, be sure that all of the accounts you have at the bank are listed. This will make it easier to transfer money and make loan payments online.

You also have the option of transferring money between different banks online. This will not happen as quickly since the money still needs to go between financial institutions, but it is much more convenient than running to the bank. Depending on the type of account, your bank may limit the number of online transfers and may hit you with a fee if you go over. You can also use online banking to manage your money better by setting up more than one savings account at the same bank. Not all banks offer this, so check around. After each paycheck, for example, you can go online and transfer money to different savings accounts to save for various goals, such as an emergency fund or a down payment for a new home. Mobile Banking Most banks will have a mobile app that allows you to take advantage of online banking on your phone. This makes online banking even more convenient and allows you to quickly check up on your account when you are out shopping, transfer funds over if you're short, or check to see if a merchant has double-charged you. However, you need to be sure you are accessing this information on a secure network and avoid using public WiFi while completing these transactions.

### **Internet E Banking Advantages**

#### 1. Convenience

Right now boisterous calendar it is hard for a person to make time to visit bank for checking their record balance, loan fees, fruitful exchange of cash, and some other update. Banking framework has created virtual financial framework for client accommodation where an individual can get to their financial framework whenever and wherever.

There are numerous situations when there is banking occasion because of which your cash can't be moved. Web based financial framework has gives a simplicity by giving 24 hours and 365 days administrations. It settle issues looked by the clients during conventional financial framework. An individual don't have to remain in line for any cash extradite and move.

#### 2. Transfer assistance

The virtual financial framework gives accommodation to move cash 24 hours in 365 days. You don't have to adhere to play out any exchange inside working hours as you can do according to your benefit in 24 hours.

#### 3. Monitoring assistance

The clients can get to their refreshed passbook whenever for screen their exchanges to deal with their money related plans.

#### 4. Online bills installment

You don't have to remain in line for taking care of tabs as it has highlight to take care of any sort of tab including power, water supply, phone, and different bills.

## 5. Quality help

Web banking has improved the nature of administrations by giving them comfort to play out their exchanges whenever during the day. The buyers can apply for credit, protection, and some other administrations without visiting the banks truly which shows that the nature of e-banking is quick and compelling.

### **Mobile banking makes online banking easier.**

**Syncing With Your Money Applications** Many money apps will automatically sync with your online banking information. This makes sticking to your budget much easier. Apps will often work both on your home computer and your mobile device so you can stay up-to-date while you are on the go. It is also easier to track your spending for your budget if you are using one of these apps. It's becoming much less common to receive paper statements, but it is still important to balance your account to your bank each month to prevent you from overdrawing your account. If your bank is small, it may not offer the syncing function, but you can still update your accounts each day by logging on and entering your accounts manually. One of the best uses is that you can sync spending in real time so that if you and your partner shop separately, you do not overspend without realizing it. **Online-Only Banks** All of the above benefits apply to both traditional banks with an online presence and online-only banks. One of the most enticing features of online-only banks is the higher interest you'll receive on your savings and other financial products such as CDs.

These banks have much less overhead to pay, and they pass the savings on to their customers. Other benefits include: Lower service and maintenance fees than you would pay with a traditional bank No bank branches, which means you might save more because you can't walk into a branch to get cash Good or even great customer service, because online banks dedicate a lot of their financial resources to data collection and ongoing customer-facing process improvements Doing your part to preserve resources by going with online-only banking, because traditional banks use a lot more resources, such as paper and electricity, among others, compared to online-only banks

**Protect Yourself Online** It is important to be careful when banking online as you do not want your safety or privacy to be breached. It is important to clear the cookies after each banking session if you are at a public computer. Additionally, make sure that your password is long enough to prevent it from being hacked and never give your online account information to someone who is not an authorized signer. You should make sure to protect your password, especially if you have roommates. Also, check your credit report regularly. These steps should protect you from identity theft. Take the time to make the necessary precautions, and monitor your account regularly for fraudulent charges

### **Conclusion**

Banks should designate a network and database administrator with clearly defined roles as indicated in the Group's report. Banks should have a security policy duly approved by the Board of Directors. There should be a segregation of duty of Security Officer exclusively with information systems security and Information Technology Division which actually implements the computer systems. Further, Banks should also adopt and implement some new policies relating to security check ups and should inform customers about new technologies concerning E-Banking. Banks should also take steps to

There is always an obligation on the parts of banks to keep the proper records of its customers manually as well as electronic. While opening an account of customer by internet a complete identification documents must be collected by the customer and a physical verification need to be done so that it will assist bank to avoid any legal risk. From a legal prospective, security procedure adopted by banks for authenticating users needs to be recognized by law as a substitute for signature. There must be strict rules regarding instructions by the customers for stop-payment and banks should clearly state the consequences in which stop-payment instruction could be accepted by the bank.

Only such banks which are licensed and supervised in India and have a physical presence in India will be permitted to offer Internet banking products to residents of India. The products and schemes of the bank should be limited to the account holders only but not to the extra territorial jurisdictional account holders. Indian overseas banks must be permitted to offer internet services. A supervisory authority need to be appointed so that it will assist in avoiding any illegal transactions.

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