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OBJECTIVES

HYPOTHESES

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

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REACH OF INTERNET BANKING

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ABSTRACT

In the 1990s, the banking sector in India saw greater emphasis being placed on technology and innovation. Banks began to use technology to provide better quality of services at greater speed. The Internet Banking is becoming one of the fastest growing technologies that is playing a significant role in the daily lives of human beings. Internet Banking and Mobile Banking made it convenient for customers to do their banking from geographically diverse places. Banks also sharpened their focus on rural markets and introduced a variety of services geared to the special needs of their rural customers. The Internet is slowly gaining popularity in India. The Internet Banking is changing the banking industry and is having the major effects on banking relationships. Internet Banking involves delivery of banking products and services. At present many of the banks around the world have web presence in form of ATMs, Internet Banking, Support services etc. In the world of banking, the development in information technology has an enormous effect on development of more flexible payment methods and more-user friendly banking services. Electronic Banking services are new and the development and diffusion of these technologies by financial institutions is expected to result in more efficient banking system.

KEYWORDS

internet banking, banking sector.

INTRODUCTION

Banking in India originated in the last decades of the 18th century. The oldest bank in existence in India is the State Bank of India a government-owned bank that traces its origins back to June 1806 and that is the largest commercial bank in the country. Central banking is the responsibility of the Reserve Bank of India 1935 formally took over these responsibilities from the then Imperial Bank of India, relegating it to commercial banking functions. After India's independence in 1947, the Reserve Bank was nationalized and given broader powers. In 1969 the government nationalized the 14 largest commercial banks; the government nationalized the six next largest in 1980.

Currently, India has 96 scheduled commercial banks (SCBs) - 27 public sector banks (that is with the Government of India holding a stake), 31 private banks (these do not have government stake; they may be publicly listed and traded on stock exchanges) and 38 foreign banks. They have a combined network of over 53,000 branches and 17,000 ATMs. According to a report by ICRA Limited, a rating agency, the public sector banks hold over 75 percent of total assets of the banking industry, with the private and foreign banks holding 18.2% and 6.5% respectively.

DEFINITION 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 of 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, personal digital assistant, automated teller machine, 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.

SALIENT FEATURES OF INTERNET BANKING

- Easily adoptable by customers.
- Easy to deploy and maintains.
- Cost effective solution.
- Enables the bank to reach its customers on the net.
- Reduce rush at the counters of the bank.
- Enables the customers of the bank to access information from anywhere and at any time.
- Balance and transaction history search.
- Transaction history export.
- Order new statements.
- Mobile banking.
- Transfers.
- Pay bills with BPAY
- Receive bills online with BPAY view
- Pay anyone payments.
- Multi payments
- SMS banking services

OBJECTIVES OF STUDY

- To analyze the reach of internet banking
- To analyze awareness among customers using internet banking
- To analyze the level of security among customers in using these services
- To analyze the popularity of the internet banking service in customers as users and non users along with reasons.

FUNCTIONS OF INTERNET BANKING

- Issue Demand Drafts online
- Transfer funds to own and third party accounts
- Credit beneficiary accounts using the VISA Money Transfer, RTGS/NEFT feature
- Generate account statements
- Setup Standing Instructions
- Configure profile settings
- Use e Tax for online tax payment
- Use e Pay for automatic bill payments
- Interface with merchants for railway and airline reservations
- Avail DEMAT and IPO services

INTERNET BANKING IN INDIA

- The Reserve Bank of India constituted a working group on Internet Banking. The group divided the internet banking products in India into 3 types based on the levels.
- **Information Only System:** General purpose information like interest rates, branch location, bank products and their features, loan and deposit calculations are provided in the banks website. There exist facilities for downloading various types of application forms. The communication is normally done through e-mail. There is no interaction between the customer and bank's application system. No identification of the customer is done. In this system, there is no possibility of any unauthorized person getting into production systems of the bank through internet.
- **Electronic Information Transfer System:** The system provides customer- specific information in the form of account balances, transaction details, and statement of accounts. The information is still largely of the 'read only' format. Identification and authentication of the customer is through password. The information is fetched from the bank's application system either in batch mode or off-line. The application systems cannot directly access through the internet.
- **Fully Electronic Transactional System:** This system allows bi-directional capabilities. Transactions can be submitted by the customer for online update. This system requires high degree of security and control. In this environment, web server and application systems are linked over secure infrastructure. It comprises technology covering computerization, networking and security, inter-bank payment gateway and legal infrastructure.

HIGHEST INTERNET USER COUNTRIES IN THE WORLD**FIGURE 1: HIGHEST INTERNET USER COUNTRIES IN THE WORLD**

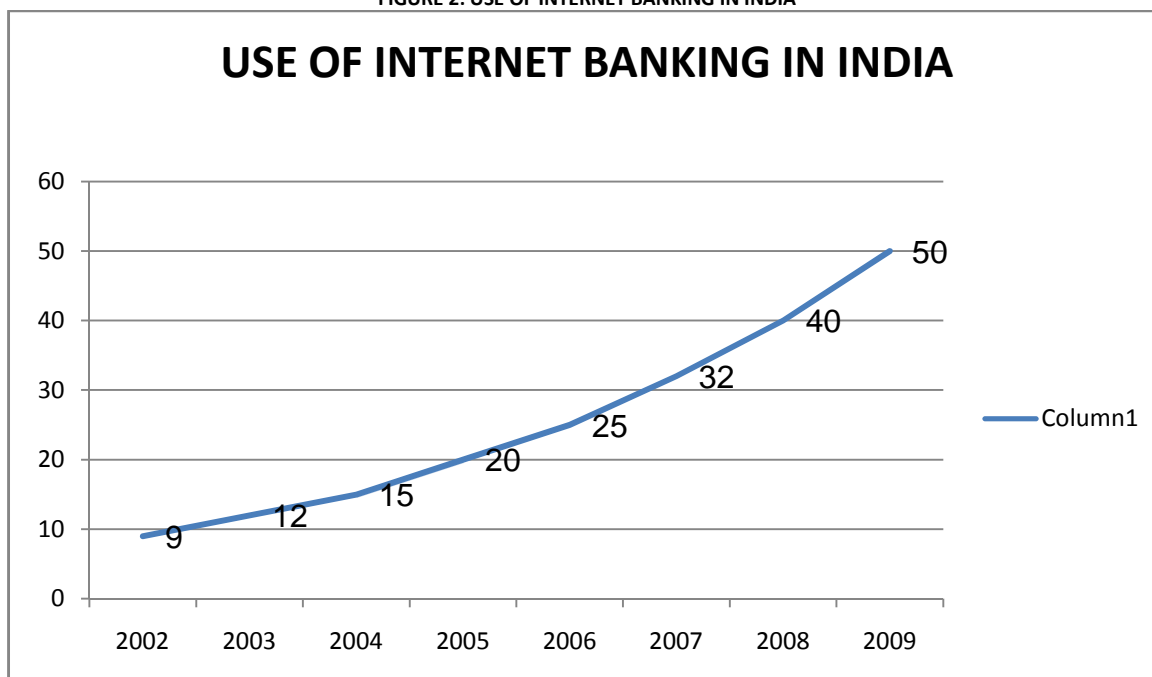
#	Country or Region	Population, 2009 Est	Users Latest Data	% Population (Penetration)	Growth 2000-2009	% of World Users
1	China	1,338,612,968	360,000,000	26.9 %	1,500.0 %	20.8 %
2	United States	307,212,123	227,719,000	74.1 %	138.8 %	13.1 %
3	Japan	127,078,679	95,979,000	75.5 %	103.9 %	5.5 %
4	India	1,156,897,766	81,000,000	7.0 %	1,520.0 %	4.7 %
5	Brazil	198,739,269	67,510,400	34.0 %	1,250.2 %	3.9 %
6	Germany	82,329,758	54,229,325	65.9 %	126.0 %	3.1 %
7	United Kingdom	61,113,205	46,683,900	76.4 %	203.1 %	2.7 %
8	Russia	140,041,247	45,250,000	32.3 %	1,359.7 %	2.6 %
9	France	62,150,775	43,100,134	69.3 %	407.1 %	2.5 %
10	Korea South	48,508,972	37,475,800	77.3 %	96.8 %	2.2 %
11	Iran	66,429,284	32,200,000	48.5 %	12,780.0 %	1.9 %
12	Italy	58,126,212	30,026,400	51.7 %	127.5 %	1.7 %
13	Indonesia	240,271,522	30,000,000	12.5 %	1,400.0 %	1.7 %
14	Spain	40,525,002	29,093,984	71.8 %	440.0 %	1.7 %
15	Mexico	111,211,789	27,600,000	24.8 %	917.5 %	1.6 %
16	Turkey	76,805,524	26,500,000	34.5 %	1,225.0 %	1.5 %
17	Canada	33,487,208	25,086,000	74.9 %	97.5 %	1.4 %
18	Philippines	97,976,603	24,000,000	24.5 %	1,100.0 %	1.4 %
19	Vietnam	88,576,758	21,963,117	24.8 %	10,881.6 %	1.3 %
20	Poland	38,482,919	20,020,362	52.0 %	615.0 %	1.2 %
TOP 20 Countries		4,374,577,583	1,325,437,422	30.3 %	359.9 %	76.4 %
Rest of the World		2,393,227,625	408,556,319	17.1 %	461.5 %	23.6 %

From the above figure 1, India is the fourth largest internet user countries in the world. The reach of internet banking has also increased in India due to the internet usage increase.

USE OF INTERNET BANKING IN INDIA FOR LAST FEW YEARS**TABLE 1: USE OF INTERNET BANKING IN INDIA**

Year	2002	2003	2004	2005	2006	2007	2008	2009
Increase %	9	12	15	20	25	32	40	50

FIGURE 2: USE OF INTERNET BANKING IN INDIA



The number of internet banking users has increased from 9% in 2002 to 50% in 2009 due to increase in internet services.

Multiple services can be offered through online banking such as – bill payment services, Fund transfer, railway ticket booking etc.

Internet banking is changing the banking industry and is having the major effects on banking relationships. The net banking thus, "now is more of a norm rather than an exception in many developed countries" due to the fact that it is the economical way of providing banking services. Banking is now no longer confined to the traditional brick and mortar branches, where one has to be at the branch in person, to withdraw cash or deposit a cheque or request a statement of accounts. There is need to scan and analyze the market and respond to the needs of customers and to generate awareness regarding advantages of internet banking.

SWOT ANALYSIS OF INTERNET BANKING

STRENGTH

- Aggression towards development of the existing standards of banks
- Strong regulatory impact by central bank to all the banks
- Presence of intellectual capital to face the change in implementation with good quality
- Fully computerized and techno savvy
- A person can access his account from anywhere he is
- A person can do banking transactions like funds transfer to any account, book ticket, bill pay at any time of the day

WEAKNESS

- High bank service charges. All the bank charges highly to the customers for the services provided through internet banking
- Poor technology infrastructure
- Ineffective risk measures
- Easy Access of internet banking account by wrong people through email ids
- When the server is down the whole process is handicapped

OPPORTUNITIES

- Increasing risk management expertise
- Advancement of technologies, strong asset base would help in bigger growth
- Safety of using internet banking is robust, so more internet banking users in future
- The international scope of internet banking provides new growth perspectives and internet business is a catalyst for new technologies and new business processes

THREATS

- Banks provides all services through electronic computerized machines and this creates problems to the less educated people
- Inability to meet the additional capital requirements
- Huge investment in technologies
- Internet banking will be replaced by mobile banking

INFERENCE OF SWOT ANALYSIS

With the growth of internet at a rapid pace and the people's time constraints, internet banking is used widely used for all the banking transaction purpose all over the world. Banking working hours is not limited to internet banking as the banking account can be accessed throughout the day.

ADVANTAGES

- Eliminates the use of paper and replaces it with computer screens.
- No need to stand in line at the bank, because all you have to do is log on to the internet access your account.
- It is safe, hassle free, saves hours of time a month.
- Greater reach to customers.
- Quicker time to market.
- Ability to introduce new products and services quickly and successfully.
- Ability to understand its customer needs.
- Customers are given access to information easily across any location.
- Greater customer loyalty.

- It is convenient.
- There are no geographical barriers.
- Getting quarterly statements from the bank, transferring funds to outstation.
- Services can be offered at a miniscule cost.

WHY CONSUMER ARE NOT USING INTERNET BANKING

- Risk
- No perceived need
- Lack of knowledge about the service
- Inaccessibility
- Lacking the human touch
- Pricing concerns
- IT fatigue
- Inertia
- Managerial implications

DIFFICULTIES

- The RBI does not still allow inter-bank funds transfer through the net since the Cyber laws are still not in place. Once allowed, this could pave the way for smooth cash management.
- Security also continues to remain a major issues especially in the case of corporate, as bulk transactions are done in a day.
- Bankers are aware of the fact reliable transaction technology as well as management of the security perceptions of customers are the keys to success.
- The infrastructural costs of providing such services are quite high.
- Limited criteria in online trading.
- Delay in fund transfer.
- When server downs the whole process handicapped.
- Technical problems occur sometimes which affect customers badly.
- Late processing also sometimes in some services create a hurdle causing delay.
- Late security level in the service to cope with hacking problem.

FINDINGS

- In the users ratio of internet banking 65% of customers are using this service.
- More banks are connecting to the any software company to running the E-banking service. In these services the SBI banks is top in service of E-banking.
- The services that are mostly used by maximum customers are transactions, online trading, bill payment, shopping etc.
- The mode of the cash deposit in bank is for use to online transaction cash, cheque & e-banking.
- Different banks different charge on online service.
- Although there is some feeling of insecurity also but still due to the multi-features service and business class prefer it.

SUGGESTIONS

- To prevent online banking from remaining customers to prompt this service through advertising company.
- After repairing this basic deficiency, banks must ensure that their service is competitive.
- Bank should provide the services in different languages.
- All the complaints felt by the customers should be considered with seriousness and solution based approach to keep them satisfied in long run,
- The bank should extend their tie-up contracts with other various institutions whether financial or non-financial for convenience of its customers.
- Bank should extend the technology which is used in internet banking in order to remove the difficulties.

CONCLUSION

Internet banking has become a necessary survival weapon and is fundamentally changing the banking industry worldwide. Today, the click of the mouse offers customers banking services at a much lower cost and also empowers them with unprecedented freedom in choosing vendors for their financial service needs. The rise of Internet banking is redefining business relationship with the customers. The International scope of Internet banking provides new growth perspectives and Internet business is a catalyst for new technologies and new business processes. The reach of Internet banking has rapidly increased due to the Telecommunication Infrastructure development in India.

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