

# INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

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**E-BANKING IN INDIA**

**POOJA  
ALUMNA  
MAHARSHI DAYANAND UNIVERSITY  
ROHTAK**

**ABSTRACT**

*In today's era most of the banking happens when you are sipping tea or taking a call. ATMs are situated at the doorstep. Services of bank are available at 24x7. There is more plastic money in the wallet than physical notes. A big part of the change is because of the use of Information Technology. Currently, banks operate in a highly globalized, privatized and liberalized environment with tough competition. In order to exist in this tough environment banks have to use Information Technology. Banking industry in India has witnessed of enormous developments because of sweeping changes that are taking place in the IT. E-banking has developed from such an creative environment. The aim of this paper is to study the growth made by banking industry in India through the adoption of technology. The paper also emphasizes the problems faced by banks in India adoption of technology and suggestions are made to overcome these problems. The paper states that in upcoming years, e-banking will not only be allowable medium of banking but also will be desirable medium of banking.*

**KEYWORDS**

bank, e-banking, information technology.

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**INTRODUCTION**

Technology has become a useful tool in organizations. Currently, banks operate in a highly globalized, privatized and liberalized environment with tough competition. In order to exist in this tough environment banks have to use Information Technology. Information Technology has introduced various new business dimensions. Day by Day Information Technology playing more significant role in upgrading the services or products in the banking industry in India. Banking industry in India has witnessed of enormous developments because of sweeping changes that are taking place in the IT. E-banking has developed from such an creative environment. Modern technology is recognized as a remedy for most of the diseases that the banking industry faces today. Currently, India is a relative non-bank economy as the credit-to-GDP ratio is one of the lowest between various developing countries. So, Indian banks are facing the double challenge of increasing accession and high growth orientation. The banking sector can kill two birds with one stone that is with the use of the technology. Enormous progress took place in the area of technology which has concentrated the globe to a global village and it has brought incredible transition in the banking sector. Branch banking conception in the brick and mortar style has been converted into click and order channel style.

**E-BANKING**

E-banking refers to Electronic Banking. E-banking is one which denotes and surrounds the entire sphere of technology capabilities that have taken place in the area of banking. E-banking is a common term making use of electronic mode through internet, mobile phones, telephone etc. for remittance or delivery of banking services and products. The concept and scope of electronic-banking is still in the evolutionary stage. E-banking has shattered the hurdles of branch banking. It does not consist of any physical transfer of money, but it's all done electronically. E-banking is just like normal banking with one huge exception. You don't have to go the bank for banking transactions. Instead you can access your account from any part of the globe at any time and do the same when you have the time and not when the bank is open. E-banking, also known as Electronic Fund Transfer (EFT) is normally the use of electronic mode to transfer funds directly from one account to other, rather than by cash or cheque.

**CHARACTERISTICS OF E-BANKING**

1. Easy fund transfer facility.
2. Making the payments of bills.
3. It can show the balance of accounts and statements.
4. It can bring doorstep services.
5. Better in management of customer relationship.
6. It introduces innovative banking products and services.
7. Mobile banking.
8. Easy to search balance and transaction history.
9. Export the transaction history.
10. There are no geographical barriers.
11. On-line purchase of goods and services.
12. It is not bound by operational timings.
13. Services can be offered at minimal cost.

**OBJECTIVES OF THE STUDY**

1. To study various electronic-banking services or products adopted by banks in India.
2. To study the problems faced by Indian banks in adoption of e-banking and make suggestions to overcome these problems.

**RESEARCH METHODOLOGY**

The study is based on secondary data. Published and unpublished article, ongoing academic working paper and internet are used extensively as a source of information.

**E-BANKING IN INDIA**

India is still in the initial stages of E-banking development. Tough Competition and transition in technology and lifestyle have converted the face of banking. The issue here is-'Where does India lie in the domain of e-banking.' E-banking is likely to bring a host of opportunities as well as unprecedented risks to the fundamental nature of banking in India. The impact of e-banking in India is not yet apparent. Indian e-banking is still flowering, although it is presentable a strategic necessity for most commercial banks, as competition increases from private banks and non banking financial institutions. The credit of launching e-banking in India goes to ICICI bank. Citibank and HDFC followed with e-banking services in 1999.

The Reserve Bank has also established a "Group (Working) on Electronic-banking to examine various aspects of e-banking. The group focused on three major areas of e-banking i.e. 1) Technology and Security Issues (2) Legal issues and (3) Regulatory and Supervisory issues. RBI has accepted the guidelines of the group and they provide a good insight into the security requirements of e-banking.

The importance of the impact of technology and information security cannot be doubted. Technological developments have been one of the key drivers of the global economy and represent an instrument that if exploited well can boost the efficiency and competitiveness of the banking sector. However, the rapid growth of the internet has introduced a completely new level of security related problems. The problem here is that since the internet is not a regulated technology and it is readily available to millions of people, there will always be people who want to use it to make illicit gains. The security issue can be addressed at three levels. The first is the security of customer information as it is sent from the customer's PC to the web server. The second is the security of the environment in which the internet banking server and customer information database resides. Third, security measures must be in place to prevent unauthorized users from attempting to log into the online banking section of the website.

From a legal perspective, security procedure security procedure adopted by banks for authenticating users needs to be recognized by law as a substitute for signature. In India, the Information Technology Act, 2000, in section 3(2) provides for a particular technology (viz., the asymmetric crypto system and hash function) as a means of authenticating electronic record. Another method used by banks for verification should be recognized as a source of legal risk.

Regarding the regulatory and supervisory issues, only such banks which are licensed and supervised and have a physical presence in India will be permitted to offer e-banking products to residents of India.

To cope with the problems of tough competition, Indian banks have adopted many initiatives and e-banking is one of them. The competition has been especially tough for the public sector banks, as the private sector and foreign banks are leaders in the adoption of e-banking. Indian banks offer following e-banking products and services:

1. Automated Teller Machines (ATMs)
2. Internet Banking
3. Mobile Banking
4. Phone Banking
5. Electronic Clearing Cards (ECC)
6. Electronic Fund Transfer (EFT)

The three broad facilities that e-banking offers are:

- i. Suitability- Accomplish your banking at your ease at your home etc.
- ii. No need of Queues- No queues required in online banking.
- iii. 24X7 service- Online banking services is provided at 24X7.

#### 1. AUTOMATED TELLER MACHINE

ATM is a cash rendering teller machine. This is a machine, which is frequently seen at banks and other locations, such as shopping centres and building societies. Customers can withdraw any sum up to a limited amount, can view the status of his account and order a new cheque book. There is a number called Personal Identification Number (PIN), which is a key for carrying the desired transactions. On the other hand, we can say that it's a machine which replaces the human aspect of providing the cash and standing in a long queue. ATMs can be installed on the bank's premises (onsite ATMs) for which no license is required from RBI. However, for ATMs to be installed at public places (offsite ATMs), banks have to obtain a license. These offsite ATMs are mainly installed at airports, railway stations, market places, petrol pumps, etc.

#### 2. INTERNET BANKING

As the banking industry has been constantly innovating and with the advent of technological development particularly in the area of telecommunication and information technology, one such innovation is internet banking. Internet banking, also known as online banking, virtual banking or e-banking, is an electronic payment system that enables customers of a bank to conduct a range of financial services through internet portal. All Indian banks using internet as an extra channel or banks using internet only as delivery channel are now on the equal footing to offer their banking services on the internet and to compete for customers around the globe. Internet banking is useful for both the bankers and the customers. The rationale use of internet banking technology from the bank point of view is mainly related to cost savings. Internet banking sites can be segregated into four categories from level I, which offers just minimum functionalities, such as access to one's deposit account data, to level IV sites that offer sophisticated services. Generally, internet banking is offered in two ways. First, an existing branch with physical offices can establish a website and offer its customer internet banking in addition to traditional banking channels. Second way is that bank may be established as "virtual", "branchless" or "internet" with a computer server at its heart that is housed in an office that serves as bank's legal address. Virtual banks may offer customers the ability to deposit and withdraw the funds at automated teller machine or other remote channels used by the banks.

#### 3. MOBILE BANKING

The traditional brick and mortar is done from fixed branch premises, where the customer has to go personally for carrying out business transactions. Through mobile banking, the customer can conduct a host of banking transactions and inquiries through the mobile. Mobile banking can also be carried through a mobile van with or without computerized banking system. The mobile van moves from place to place on designated routes at designated hours and the customers can transact their banking business, such as deposit, withdrawal, cheque collection, draft issuance, pass book updates, etc. Mobile banking helps the customer to do his account management, electronically which was earlier possible through internet banking. Mobile banking service is divided into two categories:

- i. **SMS Based:** This service can be availed from any mobile having SMS based service. The customer types the required keywords and PIN number and send the message to the predefined number.
- ii. **Menu Based:** The customer downloads and installs the application on the mobile. Whenever the customer wants any sort of information, he selects the application, selects the request from menu and sends the request to the designated number. This request is internally sent as SMS text. The central computer at bank sends back the result to him.

#### 4. PHONE BANKING

Phone banking refers to the authorized consumers to utilise special telephone number of the bank. This facility is available with the help of a voice response system (VRS). This system accepts only TONE dialed input (For callers phone instruments for dialing necessary numbers) and suitable voice response message/ information to the caller. Tele-banking is of two kinds:

- i. **Public Enquiry:** General information about banking services can be obtained by customers and non-customers like dialing a special enquiry number of the bank (call centre) and desired information can be obtained.
- ii. **Private Enquiry:** This relates to account specific information and can be accessed only by accountholder by disclosing personal identification number (PIN) and customer ID.

#### 5. ELECTRONIC CLEARING CARDS

Recently e-cash is being used in place of physical cash. ECE such as debit card and credit card. Debit card permits 'anywhere any time accesses' to the customers from their personal account. A consumer having a debit card doesn't require carry hard cash. Credit cards are also easy mode of exchange. It allows a customer to buy goods and services within specified limits from certain authorized dealer without making quickly payments in cash. It is also known as plastic money. The main difference between a debit card and a credit card is that while debit card is a pre-paid and credit card is post-paid.

#### 6. ELECTRONIC FUND TRANSFER

In the present age of integrated technology consisting of computers and communication facility, distances need no longer be constraint in providing customer service. EFT system hosted and operated by the RBI, permits transfer of funds, from any account to any other account at any branch of any member bank in any other city. In other words, electronic fund transfer facilitates the quick movement of deposit money from one bank account of one customer to the bank account of another customer. In this system, the sender and the receiver may be located at different cities. As an important tool of customer services, EFT system addresses the needs of individual customers to transfer money from one place to another within a day or two.

**PROBLEMS IN ADOPTION OF E-BANKING**

Following problems come in the way of Indian banking sector:

1. The main challenge faced by e-banking is that it is not secure and risk-free.
2. Less awareness regarding internet and new technology among people.
3. Lack of computer knowledge.
4. There is a tendency in people to hold cash.
5. Illiteracy among population.
6. Lacking of trained workers in banking industry.
7. Weak information infrastructure for installation of e-delivery channels.
8. Hardware devices are not adequate in the country.
9. There are various risks included in e-banking such as: managerial risk, legal risk etc.
10. There is a lack of Laws and Regulations regarding e-banking.

**SUGGESTIONS**

1. Create popularity/awareness among people about electronic-banking. Customers should be made educate about the use of e-banking services.
2. More focus should be given on appropriate network facility.
3. Banks should regularly keep back-up of their data. There should be periodic check on the back up data to ensure the recovery without loss of transaction.
4. Banks should make explicit security plan for information security equipments.
5. To avoid the loss of banking data banks should employed trained and expert personnel to confirm the security of consumer's funds.
6. Special arrangements should be made by banks to confirm full security of customer funds. Technical defaults should be avoided by employing well-trained and expert technicians in field of computers, so that loss of data can be avoided.
7. Easy method to operate e-banking should be installed by the bank for frequent use of e-banking.
8. Government should make heavy investments for building the basic infrastructure.

**CONCLUSION**

In our country (India), e-banking is in its initial stage. Undoubtedly, Indian banks are making efforts for the adoption of technology and e-delivery channels but still masses are deprived of the concept of the e-banking. Banks in India are making genuine efforts to familiarise the e-banking products and services. In upcoming years, e-banking will not only be allowable medium of banking but also will be desired medium of banking.

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