



E - BANKING

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Abstract

India one of the developing country in the third world, in which the promotion of the service sector has received the focus of attention in the economics development. The key service sectors in India are Insurance, tele-communication , software , banking , healthcare and education. Among them banking has a pride of place and is one of fastest growing service industry in India. It plays a dominant role in the economic development of the country. Indian Banking Industry today is witnessing a drastic change. The Banking sector is a very important sector influencing the Indian Economy. Due to modern and latest technologies with innovation, the banking sector has made tremendous improvement during the liberalization period

One such modern technique of Information technology in the Banking sector is Internet Banking, this has changed the face of the Banking industry and its relationship. Internet Banking involves use of Internet facility for delivery of Banking products and services. Technology has opened up new markets, new products, new services, which involves efficient delivery channels for the Banking industry and its institutions. De-regularization has opened new doors for Banks to increase revenues by entering into investment banking, insurance, credit card, depository services, mortgage, securitization etc;. Internet Banking is a cost effective delivery channel for financial institutions.

Introduction

The Banking sector has been immensely benefited from the implementation of superior technology during the recent past, almost in every nation in the world. Productivity

enhancement, innovative products, speedy transactions seamless transfer of funds, real time information system, and efficient risk management are some of the advantage derived through the technology. Information technology has also improved the efficiency and robustness of business processes across banking sector.

India's banking sector has made rapid strides in reforming and aligning itself to the new competitive business environment. Indian banking industry is the midst of an IT revolution. Technological infrastructure has become an indispensable part of the reforms process in the banking system, with the gradual development of sophisticated instruments and innovations in market practices. These innovations will prove an accelerating force in obtaining better productivity in banks. These innovations are as follows;

Key words—IT, internet E banking, ATM Mobile banking, E cheque , RTGS, EFT ECS,

OBJECTIVE OF PAPERS

- 1) To understand IT in banking.
- 2) To understand E banking
- 3) To understand internet banking.

Research Methodology

The study is based on secondary sources of data and descriptive methodology for this study secondary data sources such as books, journal, and online data base .

IT in Banking

Indian banking industry, today is in the midst of an IT revolution. A combination of regulatory and competitive reasons has led to increasing importance of total banking automation in the Indian Banking Industry. Information Technology has basically been used under two different avenues in Banking. One is Communication and Connectivity and other is Business Process Re-engineering. Information technology enables sophisticated product development, better market infrastructure, implementation of reliable techniques for control of risks and helps the financial intermediaries to reach geographically distant and diversified markets.

Two momentous decisions of the Reserve Bank in the 1990s changed the scenario for ever there are:

- a) The prescription of compulsory usage of technology in full measure by the new private

sector banks as a precondition of the license and

- b) The establishment of an exclusive research institute for banking technology institute for development and Research in Banking Technology

The bank which used the right technology to supply timely information will see productivity increase and thereby gain a competitive edge. To compete in an economy which is opening up, it is imperative for the Indian Banks to observe the latest technology and modify it to suit their environment. Not only banks need greatly enhanced use of technology to the customer friendly, efficient and competitive existing services and business, they also need technology for providing newer products and newer forms of services in an increasingly dynamic and globalize environment. Information technology offers a chance for banks to build new systems that address a wide range of customer needs including many that may not be imaginable today.

Following are the innovative services offered by the industry in the recent past:

Electronic Payment Services – E- Cheques

Nowadays we are hearing about e-governance, e-mail, e-commerce, e-tail etc. In the same manner, a new technology is being developed in US for introduction of e-cheque, which will eventually replace the conventional paper cheque. India, as harbinger to the introduction of e-cheque, the Negotiable Instruments Act has already been amended to include; Truncated cheque and E-cheque instruments.

Real Time Gross Settlement (RTGS)

Real Time Gross Settlement system, introduced in India since March 2004, is a system through which electronics instructions can be given by banks to transfer funds from their account to the account of another bank. The RTGS system is maintained and operated by the RBI and provides a means of efficient and faster funds transfer among banks facilitating their financial operations. As the name suggests, funds transfer between banks takes place on a ‘Real Time’ basis. Therefore, money can reach the beneficiary instantaneously and the beneficiary’s bank has the responsibility to credit the beneficiary’s account within two hours.

Electronic Funds Transfer (EFT)

Electronic Funds Transfer (EFT) is a system whereby anyone who wants to make payment to another person/company etc. can approach his bank and make cash payment or give instructions/authorization to transfer funds directly from his own account to the bank account

of the receiver/beneficiary. Complete details such as the receiver's name, bank account number, account type (savings or current account), bank name, city, branch name etc. should be furnished to the bank at the time of requesting for such transfers so that the amount reaches the beneficiaries' account correctly and faster. RBI is the service provider of EFT.

Electronic Clearing Service (ECS)

Electronic Clearing Service is a retail payment system that can be used to make bulk payments/receipts of a similar nature especially where each individual payment is of a repetitive nature and of relatively smaller amount. This facility is meant for companies and government departments to make/receive large volumes of payments rather than for funds transfers by individuals.

Automatic Teller Machine (ATM)

Automatic Teller Machine is the most popular device in India, which enables the customers to withdraw their money 24 hours a day 7 days a week. It is a device that allows customer who has an ATM card to perform routine banking transactions without interacting with a human teller. In addition to cash withdrawal, ATMs can be used for payment of utility bills, funds transfer accounts, deposit of cheques and cash into accounts, balance enquiry etc.

various facilities produced by ATMs-

- 1) cash withdrawals
- 2) On line account balance enquiry
- 3) request for cheque book
- 4) request for account statement.
- 5) transfer of funds between accounts linked to ones card

Credit Cards

Credit card is another facility produced by E-banking . credit card is a product With the help of which a customer can avail various facilities or services without making immediate payment and that payment could be made at a later stage of time.

Point of Sale Terminal

Point of Sale Terminal is a computer terminal that is linked online to the computerized customer information files in a bank and magnetically encoded plastic transaction card that

identifies the customer to the computer. During a transaction, the customer's account is debited and the retailer's account is credited by the computer for the amount of purchase.

Tele Banking

Tele Banking facilitates the customer to do entire non-cash related banking on telephone. Under this devise Automatic Voice Recorder is used for simpler queries and transactions. For complicated queries and transactions, manned phone terminals are used.

Services Provided by Telebanking –

- 1 Accounts details
- 2) Stop payment services
- 3) talk on phone banker
- 4) Cheque status inquiries
- 5) Cheque book or account statement requests.

Electronic Data Interchange (EDI)

Electronic Data Interchange is the electronic exchange of business documents like purchase order, invoices, shipping notices, receiving advices etc. in a standard, computer processed, universally accepted format between trading partners. EDI can also be used to transmit financial information and payments in electronic form.

What is Internet Banking?

Internet banking involves consumers using the Internet to access their bank account and to undertake banking transactions. At the basic level, Internet banking can mean the setting up of a Web page by a bank to give information about its product and services. At an advance level, it involves provision of facilities such as accessing accounts, funds transfer, and buying financial products or services online. This is called "transactional" online banking

Banking services through Internet

(A). Levels of Banking services Broadly, the levels of banking services offered through INTERNET can be categorized in three types: i) The Basic Level Services use the banks' websites which disseminate information on different products and services offered to customers and members of public in general. It may receive and reply to customers' queries through e-mail, (ii) In the next level are Simple Transactional Websites which allow customers to submit their instructions, applications for different services, queries on their

account balances, etc, but do not permit any fund-based transactions on their accounts, (iii) The third level of Internet banking services are offered by Fully Transactional Websites which allow the customers to operate on their accounts for transfer of funds, payment of different bills, subscribing to other products of the bank and to transact purchase and sale of securities, etc. Most of the banks providing Internet banking products and services offer, to a large extent, an identical and standard package of banking services and transactional capabilities.

(B). Structure of Banking services In general, Internet banking products are offered in a two-tiered 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 such as 1) Brokerage. 2) Cash management. 3) Credit applications. 4) Credit and debit cards. 5) Customer correspondence. 6) Demat holdings. 7) Financial advice Foreign exchange trading. 9) Insurance. 10) Online trading. 11) Opening accounts 12) Requests and intimations. 13) Tax services. 14 E-shopping. 15) Standing instructions. 16) Investments. 17) Asset management services etc. In traditional banking, the customer has to visit the branch of the bank in person to perform the basic banking operations viz., account enquiry, funds transfer, cash withdrawing etc.,

On the other hand, E-banking enables the customers to perform the basic banking transactions by sitting at their homes or at offices through a desktop or laptop round the clock globally through electronic media. This is called any time, any where banking. The customers can access the banks' website for viewing their account details and perform the transactions as per their requirements. Customers can make use of these services with no restricted banking hours, no queues, no tellers and no waiting.

E-banking Transactions

The following are some of the basic functions in Internet Banking: Account Enquiry Fund Transfer Payment of Electricity, Water and Telephone bills Online payment for transactions actually performed through Internet Request for issuance of cheque books, demand drafts etc., Statement of accounts Access to latest schemes Access to rates of interest and other service charges Models for E-Banking To implement effectively E-banking and augment the level of technology the following models have been suggested:(i) Complete Centralized

Solution (CCS) (ii) Cluster Approach (iii) High Tech Bank within Bank Complete Centralized Solution of the above three models, the Complete Centralized Solution (CCS) is the ideal branch network model on which E-banking and efficiently. Features of CCS The following are the features of Complete Centralized Solution: (i) The entire system software, data for the entire bank etc., are stored in a centralized server with its hot standby server being placed at a different location and connected through high speed and efficient network. (ii) Branches are provided with online nodes to receive requests from customers and to provide services across the counter. (iii) The nodes provided at remote branches are connected through effective satellite links with enough redundancy to provide reliability as well as adequate bandwidth. (iv) Skilled manpower is required only at the Centralised location

Advantages of E –Banking (i) Round the clock banking E-banking facilitates performing basic banking transactions by customers round the clock globally. In fact there is no restricted office hours for E-banking. (ii) Convenient Banking Customers can perform basic banking transactions by simply sitting at their office or at home through PC or LAPTOP. No personal visit to the branch is required for routine basic transactions. (iii) Low Cost Banking The operational costs have come down due to technology adoption. The cost of transactions through internet banking is much less than any other traditional mode. There is also much saving on the cost of infrastructure as the banks can have access to a greater number of potential customers without the commitment costs of physically opening branches. Moreover, requirements of staff at the banks get reduced to a greater extent. (iv) Profitable Banking The increased speed of response to customer requirements, can enhance customer satisfaction and consequently can lead to higher profits as a result of handling more number of customer accounts.

(v) Quality Banking Internet banking allows the possibility of improved quality and an enlarged range of services being made available to customers. (vi) Speed Banking The increased speed of response to customer requirements will lead to greater customer satisfaction and handling a large number of transactions at a lesser time. Thus, it increases the customers' convenience to a greater extent and facilitates better customer retention.

(vii) Service Banking Banks can also offer many cash management products. Instant credit, one day credit, immediate payment of utility bills, instant transfer of funds etc., is possible under E-banking. Internet banking is widely used, especially by individuals and small and

medium businesses, because it is easy and convenient, available 24 hours a day, seven days a week and typically incurs far less bank fees than going in to a branch to do banking.

Phishing is one of the most common, and publicised, forms of theft when it comes to Internet banking. Phishing typically takes the form of an email, ostensibly from a customer's bank, requesting confidential details and internet banking information, or containing a link to a Website that looks almost identical to the authentic one, where users will enter their details. These are then captured by the fraudsters and used to make unauthorised transactions on an account.

Conclusion

The Modern Banking has become a wholly customer driven and technology driven. Technology has been dramatically transforming the banking activities in India. Driven by the challenges of competition, rising customer, expectations and shrinking margins, banks have been using technology to reduce cost and enhance efficiency , productivity and convergence.

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