

## INTERNET BANKING (E-BANKING)

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### **Abstract :**

The topic of the paper E-banking has become the necessity these days. The technology and security standards are of prime importance as the entire base of Internet banking rests on it. Also the competition has increased to such an extent that the one who is not compatible with the changing environment is not able to survive for long. E-banking comprises of Internet Banking, Smart Cards, Debit Cards, Credit Cards, Automated Teller Machines, and Charge Cards etc. Now-a-days, foreign banks are also entering into the Indian Banking Market. They are serving a hard and severe competition to nationalize and private sector banks. Introduction of these techniques have made the transactions and activities of businesses very effective and smooth. Many people are having access to Internet and Mobile Connections. But everything has two aspects – good and bad. The adoption and switch over to Electronic banking will also raise certain legal issues and disputes in the future which have to be anticipated and remedial measures for the same need to be adopted. Further, these issues should also be compatible with the existing laws, particularly the Information Technology Act, 2000. Further, all these e-banking transactions are being supervised and regulated by the guidelines of RBI. Such as, all banks that are providing Internet Banking are required to have prior approval from RBI.

**Keywords:** E-Banking, Bank, rbi, advantages and conclusions.

### **INTRODUCTION**

Internet banking (or E-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. Any service can be selected and further interaction is dictated by the nature of service. The traditional branch model of bank is now giving place to an alternative delivery channels with ATM network. Once the branch offices of bank are interconnected through terrestrial or satellite links, there would be no physical identity for any branch. It would a borderless entity permitting anytime, anywhere and anyhow banking. The network which connects the various locations and gives connectivity to the central office within the organization is called intranet. These networks are limited to organizations for which they are set up. SWIFT is a live example of intranet application.

### **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 of access granted. They are:

**I) 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.

**II) 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.

**III) 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.

**AUTOMATED TELLER MACHINE (ATM):**

ATM is designed to perform the most important function of bank. It is operated by plastic card with its special features. The plastic card is replacing cheque, personal attendance of the customer, banking hours restrictions and paper based verification. There are debit cards. ATMs used as spring board for Electronic Fund Transfer. ATM itself can provide information about customers account and also receive instructions from customers - ATM cardholders. An ATM is an Electronic Fund Transfer terminal capable of handling cash deposits, transfer between accounts, balance enquiries, cash withdrawals and pay bills. It may be on-line or Off-line. The on-line ATN enables the customer to avail banking facilities from anywhere. In off-line the facilities are confined to that particular ATM assigned. Any customer possessing ATM card issued by the Shared Payment Network System can go to any ATM linked to Shared Payment Networks and perform his transactions.

**CREDIT CARDS/DEBIT CARDS:**

The Credit Card holder is empowered to spend wherever and whenever he wants with his Credit Card within the limits fixed by his bank. Credit Card is a post paid card. Debit Card, on the other hand, is a prepaid card with some stored value. Every time a person uses this card, the Internet Banking house gets money transferred to its account from the bank of the buyer. The buyers account is debited with the exact amount of purchases. An individual has to open an account with the issuing bank which gives debit card with a Personal Identification Number (PIN). When he makes a purchase, he enters his PIN on shops PIN pad. When the card is slurped through the electronic terminal, it dials the acquiring bank system - either Master Card or VISA that validates the PIN and finds out from the issuing bank whether to accept or decline the transactions. The customer can never overspend because the system rejects any transaction which exceeds the balance in his account. The bank never faces a default because the amount spent is debited immediately from the customers account.

**SMART CARD:**

Banks are adding chips to their current magnetic stripe cards to enhance security and offer new service, called Smart Cards. Smart Cards allow thousands of times of information storable on magnetic stripe cards. In addition, these cards are highly secure, more reliable and perform multiple functions. They hold a large amount of personal information, from medical and health history to personal banking and personal preferences.

**YOU CAN AVAIL THE FOLLOWING SERVICES THROUGH E-BANKING:**

❖ **Bill Payment Service**

You can facilitate payment of electricity and telephone bills, mobile phone, credit card and insurance premium bills as each bank has tie-ups with various utility companies, service providers and insurance companies, across the country. To pay your bills, all you need to do is complete a simple one-time registration for each biller. You can also set up standing instructions online to pay your recurring bills, automatically. Generally, the bank does not charge customers for online bill payment.

❖ **Fund Transfer:**

You can transfer any amount from one account to another of the same or any another bank. Customers can send money anywhere in India. Once you login to your account, you need to mention the payee's account number, his bank and the branch. The transfer will take place in a day or so, whereas in a traditional method, it takes about three working days. ICICI Bank says that online bill payment service and fund transfer facility have been their most popular online services.

❖ **Credit Card Customers:**

With Internet banking, customers can not only pay their credit card bills online but also get a loan on their cards. If you lose your credit card, you can report lost card online.

❖ **Railway Pass:**

This is something that would interest all the aam janta. Indian Railways has tied up with ICICI bank and you can now make your railway pass for local trains online. The pass will be delivered to you at your doorstep. But the facility is limited to Mumbai, Thane, Nashik, Surat and Pune.

❖ **Investing Through Internet Banking:**

You can now open an FD online through funds transfer. Now investors with interlinked demat account and bank account can easily trade in the stock market and the amount will be automatically debited from their respective bank accounts and the shares will be credited in their demat account. Moreover, some banks even give you the facility to purchase mutual funds directly from the online banking system. Nowadays, most leading banks offer both online banking and demat account. However if you have your demat account with independent share brokers, then you need to sign a special form, which will link your two accounts.

❖ **Recharging Your Prepaid Phone:**

Now just top-up your prepaid mobile cards by logging in to Internet banking. By just selecting your operator's name, entering your mobile number and the amount for recharge, your phone is again back in action within few minutes.

❖ **Shopping:**

With a range of all kind of products, you can shop online and the payment is also made conveniently through your account. You can also buy railway and air tickets through Internet banking.

**ADVANTAGE OF INTERNET BANKING:**

As per the Internet and Mobile Association of India's report on online banking 2006, "There are many advantages of online banking. It is convenient, it isn't bound by operational timings, there are no geographical barriers and the services can be offered at a miniscule cost."

Through Internet banking, you can check your transactions at any time of the day, and as many times as you want to. Where in a traditional method, you get quarterly statements from the bank. If the fund transfer has to be made outstation, where the bank does not have a branch, the bank would demand outstation charges. Whereas with the help of online banking, it will be absolutely free for you.

**SECURITY PRECAUTIONS:**

Customers should never share personal information like PIN numbers, passwords etc with anyone, including employees of the bank. It is important that documents that contain confidential information are safeguarded. PIN or password mailers should not be stored, the PIN and/or passwords should be changed immediately and memorised before destroying the mailers.

Customers are advised not to provide sensitive account-related information over unsecured e-mails or over the phone. Take simple precautions like changing the ATM PIN and online login and transaction passwords on a regular basis. Also ensure that the logged in session is properly signed out.

**RBI ACKNOWLEDGES RISKS OF E-BANKING IN INDIA:**

Reserve Bank of India (RBI) has been playing a pro active role for securing Internet banking and online banking transactions. Recently, RBI showed its intention to boost ATM security in India. In the past,

concerns have been raised from time to time for preventing online banking frauds in India by RBI.

There are many problems from which the online banking or Internet banking in India is suffering. The most important pertains to maintaining effective cyber security for banking and financial sectors of India. Similarly, there are no effective Internet banking laws in India or online banking laws in India. In the absence of stringent laws in this regard, online banking risks in India are increasing. However, of all the shortcomings, nothing can match the absence of encryption laws and standards in India. In the absence of proper encryption norms in India, e-banking in India is really insecure.

#### **CONCLUSION:**

The face of banking is changing rapidly. Competition is going to be tough and with financial liberalization under the WTO, banks in India will have to benchmark themselves against the best in the world. For a strong and resilient banking and financial system, therefore, banks need to go beyond peripheral issues and tackle significant issues like improvements in profitability, efficiency and technology, while achieving economies of scale through consolidation and exploring available cost-effective solutions. These are some of the issues that need to be addressed if banks are to succeed, not just survive, in the changing milieu. We know that every action has an equal and opposite reaction. In the same way, the evolution of any new technology wave creates lots of hype and hope but at the same time may bring some adverse side effects too.

However, financial institutions have been known to be very enthusiastic in accepting any new technology that is around. They have tasted what wireless and mobile technology is all about. And the industry has a lot more expectations with the wireless banking implementations.

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