

THE IMPACT OF ELECTRONIC BANKING ON BANK SERVICES: THE INDIAN EXPERIENCE.

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Abstract : E-banking is the term that signifies and encompasses the entire sphere of technology initiatives that have taken place in the banking industry. E-banking has broken the barriers of branch banking. E-banking involves use of internet for delivery of banking products and services. E-banking is reducing the transaction costs and is winning the trust of customers and roving to be an appropriate model for customer service of commercial banks in India. So the E-banking has a greater role in customer service of commercial banks in India. In the past couple of years ATMs, Internet Banking, M-Banking and Virtual Banking have changed the face of banking services. Customers can send money anywhere in India through e-banking. This makes E-commerce a necessity for the future. In the new millennium, people will be able to do their entire banking over the net without even going to the bank. Within this context this paper has undergone a critical literature review of previous researchers with an objective to examine the impact of e-banking on consumer's behaviour to e-service quality.

KEYWORDS: E-banking, Profitability, Customer service, Information and Communication Technology (ICT).

INTRODUCTION

Internet technology holds the potential to fundamentally change banks and the banking industry. The widespread availability of Internet banking for instance is expected to affect the mixture of financial services produced by banks, the manner in which banks produce these services and the resulting financial performances of these banks. Whether banks take advantage of this new technology will depend on their assessment of the profitability of such a delivery system for their services. Banking through internet has emerged as a strategic resource for achieving higher efficiency, control of operations and reduction of cost by replacing paper based and labour intensive methods with automated processes thus leading to higher productivity and profitability.

The progress in e-banking in Indian banking industry is measured through various parameters such as Computerization of branches, Automated Teller Machines, Transactions through Retail Electronic Payment Methods etc. Banks today operate in a highly globalized, liberalized, privatized and a competitive environment. In order to survive in this environment banks have to use IT. Indian banking industry has witnessed a tremendous developments due to sweeping changes that are taking place in the information technology. Electronic banking has emerged from such an innovative development. E-banking is a generic term making use of electronic channels through telephone, mobile phones, internet etc. for delivery of banking services and products. The concept and scope of e-banking is still in the transitional stage. The objective of the present paper is to study the impact of E-banking on services of commercial banks in India.

LITERATURE REVIEW

The Concept and definition of E-banking According to Basel Committee on banking supervision, (1998 and 2003) E-banking is defined as the provision of retail and small value banking products and services through electronic channels. Such products and services can include deposit taking, lending, account management, the provision of financial advice, electronic bill payment, and the provision of other electronic payment products and services such as electronic money. The term "electronic banking" or "e-banking" covers both computer and telephone banking. It refers to the use of information and communication technology by banks to provide services and manage customer relationship more quickly and most satisfactorily (Charity-Commission, 2003).

The impact of Electronic Banking on bank performance According to Nathan (1999), electronic banking services have provided numerous benefits for both banks and customers. The first benefit for the banks offering electronic banking service is better branding and better response to the market. Those banks that would offer such service would be perceived as leaders in technology implementation. As a result, they would enjoy a better brand image. The other benefits are possible to measure in monetary terms. For consumers, Internet banking provides convenience, lower service charges, more accessible information about bank accounts, and an attractive option for busy people since it saves time to go to the bank branches and gives 24 hours access (Lee & Lee, 2000). For banks that apply the electronic banking services for less than 2 years, there is no significant effect of these services on the return on assets and the return on equity but was founded to be significant on margin.

OBJECTIVES

The objectives of the research paper is-

- ◆ To study the impact of E-banking on the services of banks.
- ◆ To study the opportunities and challenges faced by banks in E-Banking services.
- ◆ To understand the reasons for adopting or not adopting E-Banking services.

METHODOLOGY

The research is descriptive in nature and based on secondary data. The data collected has been summarized and interpreted using statistical tools wherever required to arrive at the conclusion of the study.

TECHNOLOGY USED IN E-BANKING

1.The Electronic Fund Transfer (EFT) – The facility offers you to make payment to account holder of other banking an efficient and fast manner. EFT transactions are settled electronically.

2.National Electronic Fund Transfer (NEFT): This is the faster mode of fund transfer in which the funds are credited to the beneficiary's account on the same day. It is offered by computerized branches of certain banks takes a minimum of 3 working days to be credited to the beneficiary's account.

3.Automated Teller Machines (ATM): The Automated Teller Machines are installed, at every nook and corner in most of the towns and cities. These are meant for balance enquiries, cash withdrawals and many other facilities depending upon the policies of the bank.

4.Debit cards: Debit cards are another advanced technology of the electronic banking, now-a-days. Debit cards ensure the automatic deduction of amount from the account just by scratching it on the machine.

5.Credit Cards: A Credit card system is a type of retail transaction settlement and credit system, named after the small plastic card issued to user of system. In the case of credit cards, the issuer lends money to consumer (or the user).

6.Charge Cards: A Charge card is a means of obtaining a very short term (usually around 1 month) loan for a purchase. It is similar to a credit card, except that the contract with the card issuer requires that the card holder must each month pay charges made it in full-there is no "minimum payment" other than the full balance.

7.Smart Card: A card that is used for storing and retrieving personal information, normally the size of credit card and contain electronic memory and an embedded integrated circuit.

8.Payment and settlement system and Information technology: A milestone was crossed during 2003-04 with commencement of the Real Time Gross Settlement (RTGS) as a facility available for quick, safe and secure electronic mode of fund transfer.

ADVANTAGES OF E-BANKING TO BANKS

There are many advantages for the banks who run an online 'branch':-

1. Customers can access their accounts 24 hours a day without having to have branches open.
2. The customers do all of the work themselves so staff numbers can be reduced.
3. Traditional banks are very expensive to run, high street rental for a branch costs hundreds of rupees per year. On top of that are staff costs, insurance, heating and lighting costs. It has been estimated that banks can save around 50% on the cost of transactions through the use of on-line banking.
4. Banks can attract new customers to their online business for a fraction of the cost it takes to get one through the door of a high street branch.
5. Because of the lower operating costs, internet banks can offer very attractive incentives. They often have higher rates of interest for savers and lower rates of interest for borrowers.
6. An advertisement in a Sunday newspaper about a new internet account can generate over 200,000 visits to the website in a day. A traditional bank could never cope with this amount of customers in a day.

CHALLENGES OR DIFFICULTIES IN E-BANKING SERVICES.

The concept of Electronic banking cannot work unless and until banks have a centralized body or institution, which can formulate guidelines, regulate, and monitor effectively the functioning of Electronic Banking. The most important requirement for the successful working of Electronic banking is the adoption of the best security methods. In order for computerization to take care of the emerging needs, the recommendations of the committee on Technology Up gradation in Banking Sector (1999) may be considered. These are:

1. Need for high level of security Communication and networking – use of networks which would facilitate centralized databases and distributed processing.
2. Need for standardization of hardware, operating system software, application software to facilitate interconnectivity of system across branches.
3. Need for a technology plan with periodical up gradation.
4. Sharing of technology experiences and expertise so as to reap the benefit of technology implementation across a wider community.
5. Need to address the issue of human relations in a computerized environment.

THE IMPACT OF E-BANKING ON BANK'S SERVICES

E-banking transactions are much cheaper than branch or even phone transactions. E-banks are easy to set up, so lots of new entrants will arrive. E-banking gives consumers much more choice. Consumers will be less inclined to remain loyal. Portal providers are likely to attract the most significant share of banking profits. Indeed banks could become glorified marriage brokers. They would simply bring two parties together e.g. buyer and seller, payer and payee. The products will be provided by monolines, experts in their field.

E-banking is just banking offered via a new delivery channel. It simply gives consumers another service (just as ATMs did). Customers want full service banking via a number of delivery channels. The future is therefore “Martini Banking” (any time, any place, anywhere, anyhow). E-banks have already found that retail banking only becomes profitable once a large critical mass is achieved. Consequently many e-banks are limiting themselves to providing a tailored service to the better off. E-Banking transaction needs some interface to communicate with banking customer. All the electronic transaction performs through some interfaces. The electronic devices which perform interact with customers and communicate with other banking system is called electronic banking delivery channels.

Once the risk assessment has been completed (threat-sources and vulnerabilities identified, risks assessed, and recommended controls provided), the results should be documented in an official report or briefing.

The E-banking is changing the banking industry and is having major effect on banking relationship. The deregulation of the banking industry coupled with the emergence of new technologies, is enabling new competitors to enter the financial services market quickly and efficiently. Commercial banks offer a wide range of e-banking services to the customer. Banking services are delivered to a customer at his office or home by using electronic technology. Customer need not necessarily visit banks to carry out their banking transactions and can meet their requirements through the means of electronic banking facility. E-banking is becoming immensely popular globally, and India is not exception to it. The declining internet rates, falling PC prices, broad bandwidth access through cable and digital subscriber lines, accessing the

Net through cable TV etc. Would definitely encourage the boom in E-banking in India. Electronic devices are helping the banks to reduce transaction cost and improve efficiency. E-banking is reducing the transaction costs and is winning the trust of customers and roving to be an appropriate model for customer service of commercial banks in India. So the E-banking has a greater role in customer service of commercial banks in India.

CONCLUSIONS

The study found that E-banking and hence Information and Communication Technology has impacted positively on customer service and profitability of banks though there are a number of challenges. It is recommended that there should be 24/7 monitoring of the Automatic Teller Machines(ATMs) so that any failure is addressed as soon as possible to guarantee customer retention. It is concluded that the government should provide adequate regulatory framework that will ensure customer protection and security of transactions; and again to achieve competitive advantage periodic training programmes on ICT should be organised by the banks to ensure that their employees are always abreast with current trends and programs in ICT. Internet facility must be made available at all the branches of the bank across, proper training to customers for using E-Banking should be given. Use of technology should be increased substantially in banks to cope with rising volumes and reduce transaction cost and processing time. The IT Act 2000 should be implemented in totally to handle legal issues. E-Banking helps in improving the quality of service offered by bank and provide a choice to customers by offering multi service delivery channels. The element of convenience has increased as customers can access his account as per his convenience. Thus these delivery channels have reduced cost, waiting period, and paper work. They have eliminated wastages, uncertainties and they have created positive impact on cost, speed, efficiency and enhanced customer satisfaction.

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