

## E-BANKING

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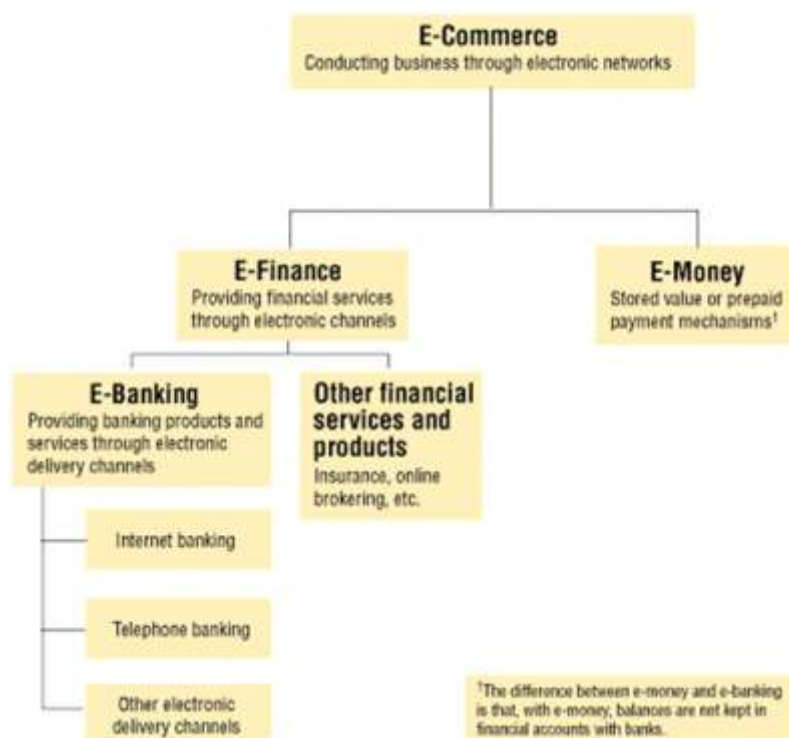
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**Abstract :**Today, e-banking is used as a strategic tool by the global banking sector to attract and retain customers. E-banking is a generic term for delivery of banking services and products through electronic channels, such as the telephone, the internet, the cell phone, etc. The concept and scope of E-banking is still evolving. It facilitates an effective payment and accounting system thereby enhancing the speed of delivery of banking services considerably. While E-banking has improved efficiency and convenience, it has also posed several challenges to the regulators and supervisors. Several initiatives taken by the government of India, as well as the Reserve Bank of India (RBI), have facilitated the development of E-banking in India.

**Key words:**E-banking, Efficiency, Effective Payment and Accounting System.

### INTRODUCTION:

#### What is electronic banking?



## **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 or 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 (PC), personal digital assistant (PDA), automated teller machine (ATM), kiosk, or 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 due to the Internet's widely accessible public network

A method of banking in which the customer conducts transactions electronically via the Internet.  
"It's hard to beat e-banking for the 24-hour convenience it offers Internet-literate customers"

### **OBJECTIVES:-**

1. To study the different services offered by the banks to satisfy their customers.
2. To know how banks are enhancing their competitiveness in the present competitive banking industry.

### **Hypotheses:-**

1. Technology has changed the competitive landscape of banking sector.
2. Banks need customer support for their survival, growth and prestige.
3. The growing competition and the growing expectations of customers led to increased importance of technology in banking

### **Research Methodology and Sources of Data:-**

The project is based on secondary sources of information. The paper highlights that the use of technology the banking sector is very much necessary during the present scenario and also in future like other industries; the banking industry is not an exception to this. The project will mainly discuss the use of modern technology through e-Banking, such as computerisation, internet banking, tele-banking, ATMs, electro-magnetic cards, mobile banking ...etc.

## **REVIEW OF SELECTED LITERATURE**

Indian banking sector has undergone radical changes. The reforms in Indian Banking sector enabled the banking personnel to update their knowledge. In the modern computer era. All the banking transactions are made through electronic/computers. There is an urgent need for 'e'-banking practices.

Singh and Malhotra (2004) found that there has constantly been a literature gap on the issue in India. The purpose of this paper is to help fill significant gaps in knowledge about the internet banking landscape in India. The paper presents data drawn from a survey of commercial banks website, on the number of commercial banks that offer internet banking, using univariate statistical analysis, relative to other commercial banks with respect to profitability, cost efficiency, and other characteristics. By the end of first quarter, 2004, differences between internet and non-internet banks had begun to emerge in funding, in sources of income & expenditure and in measures of performance. It was also found that the profitability and offering of internet banking does not have any significant correlation.

Chang (2003) has examined behaviour of firms (banks) and consumers (banks customers) in the event of a new technology (internet banking) introduction. The determinants of consumers adopting of internet banking are characterized using survey of data from Korea in both static and dynamic framework. I find evidence that adoption of internet banking is influenced by sex, age, marital status, degree of exposure to internet banking, and the characteristics of the banks. A duration analysis shows no evidence of first mover advantage (order effects) in commercial banking remains dominant in internet banking. The result imply that social norms effect dominate the internet banking adoption.

Aggarwal (2002) There are five key areas in banking where technology has contributed the most are: product development, market infrastructure, risk control and market research (online bank can be classified as fully traditional banks, traditional banks with internet presence and fully virtual banks the success of traditional bank with internet presence is eminent not only in India but also anywhere in the

world. India has an extensive banking network, consisting of rural & urban banks. Largely speaking the most of the Indian banks are still public sector banks. New age private sector banks ICICI, HDFC, Axis are fast becoming choice of citizens in urban areas where technology penetration is high.

Mishra (2005) in his paper explained the advantages and the security concerns about internet banking. According to him, improved customer access, offering of more services, increased customer loyalty, attracting new customers are the primary drivers of internet banking. But in a survey conducted by the online banking association, member institutions rated security as the most important concern of online banking. From the review of literature, we found that education is one of the crucial factors for expanding e-banking. Younger consumers and males are more

comfortable in using e-banking. Convenience and accuracy, feedback and complaint management, efficiency, queue management, accessibility and customization were found to be primary dimensions of e-banking service quality.

### STUDY OF BANKING SERVICES THOROUGH TECHNOLOGY



Before the advent of the internet, e-banking has existed for about 20 years. However it was to the limited extent i.e. direct-dial services. Thereafter, most of the banks are offering e-banking services with increasing competition from internet-enabled or on-line, banks and financial institutions.

Banks are using the electronic technology to the ever increasing competition in the banking sector. E-banking as per as information technology is concerned may be identified with three channels; namely ATM, Internet Banking and Tele Banking. These channels can supplement each other in ensuring the convenient way of delivering banking services. With the increasing consumer demand banks have to constantly think of innovative customized services to remain competitive. E-banking is an innovative tool for banks that is fast becoming a necessity. It is successful strategic weapon for banks to remain profitable in a volatile and competitive market and also to cater to existing demand. Although e-banking has been unfavoured on different grounds, it has enormous opportunity for far-sighted banks to reap the reward available from E-banking.

The software packages for banking applications in India had their beginnings in the middle of the 80s, when the banks started computerizing the branches in limited manner. The early 90s saw the falling hardware prices and advent of cheap and inexpensive but high powered PCs and servers. As a result, banks went in for what was called "Total Branch Automation (TBA) Packages.

The middle and late 1990s witnessed the tornado of financial reforms, deregulation, globalization etc coupled with rapid revolution in communication technologies, like Internet, mobile/ cell phones etc.

### COMPUTERIZATION-

A great deal has been done in the form of computerization in leading banks. Even where computerization exists, there are different platforms across the different branches of the banks. Hence, the need of the present day to integrate computerization efforts, running parallel with business process re-engineering.

## INTERNET-

Internet is a networking of computers. In this marketing, message can be transferred and received worldwide. The data sent can be sent and received in any part of the world. In no time, internet facility can do many jobs

## ATM (Automated Teller Machine):-

A special plastic card used for getting currency notes from a machine installed generally near a bank, is called ATM. It is an electronic machine, which is operated by the customer himself to make deposits, withdrawals and other financial transactions. It is a step in improvement in customer service and a mean to build and enhance customer relationship.

## Cash Dispensers:-

Cash withdrawing facility is one of the basic services provided by the banks to its customers. The cash payment is made by the cashier or teller of the cash dispensers is an alternate to time saving.

## ECS (Electronic Clearing Service)-

This facility is provided by almost every bank as per the directives of RBI. It is provided for making repetitive low value debit and credit payments like EMIs, dividend, interest, refund, salary, pension commission, insurance premiums, installments to leasing and finance companies.

## Chip Card-

The bank provides a special type of credit card to its customers which bears the names; code of the customer. The credit amount of the customer account is written on the card with magnetic methods,

## Tele-banking-

This facility is based on the voice processing facility available on bank computers. The caller usually a customer calls the bank anytime and enquires balance in his account or the history of the other transactions. In this system, the computers at bank are connected to a telephone link with the help of modem.

## Real Time Gross Settlement System (RTGS):-

This system enables instant transfer of funds between banks and financial institutions. It is introduced in 11 banks only so far. Under this system RTGS facility is extended all over the country by integrating the Centralized Banking Branch (CBB) network and Structural Financial Messaging System (SFMS) enabled branches with RTGS system



### **Customer Expectations and Next Generation Banking**

Even as most banks do fire-fighting today, the smarter ones are looking towards the future with New Age Banking. New Age Banking will be driven by customers and require banks to focus on creating value its customers, run an optimized business and evolve a business model allowing them to emerge stronger when the global economy begins recovery. This article talks about the five Customer Imperatives which would drive the New Age Banking requirements and the way forward for banks to meet these customer expectations. This paper talks about the five Customer Imperatives which would drive the New Age Banking requirements and the way forward for banks to meet customer expectations.

### **Five Customer Imperatives**

Shifts in demographics, incomes, attitudes and behavior, in addition to easily accessible are empowering customers to demand greater autonomy, responsiveness and transparency from their banks. Not only do they want personalized products but are willing to shift loyalties and approach another bank that offers them a better deal. Increasingly, banking customers worldwide are exercising their 'freedom of choice' – changing their banks in search for better service and custom-tailored. The writing on the wall is clear. 'Keep your customers happy and survive.' The five imperatives that customers would be looking at to be addressed by their bank of choice are:

- 1.Channel Amplification
- 2.Service Accessibility
- 3.Customer Serviceability
- 4.Data Privacy and Security
- 5.Simplified Banking

### **CONCLUSION**

Regarding impact of e-banking, the study indicates that e-banking helps in improving the relationship between bankers and customers. The bankers expressed confidence that such bonds would bring improvement in the overall performance of banks. About different promotional measures adopted by banks to promote e-banking, the study discloses that banks mostly resort to the use of print media followed by internet, SMS on mobile, outdoor advertisements and television. Majority of the bankers believe that banks are wanting in providing sufficient guidance to customers for using e-banking services. In order to make e-Banking more popular, banks must separate their customers based on demographic priority (i.e., age, gender, occupation etc.) and customize e-Banking services as per their needs and requirements. It is seen that banks are heavily dependent on print media to promote their services. It is felt they should supplement this media with other modes like hoardings, SMS, e-mail etc. to stimulate e-banking usage and create greater awareness. Additionally, they can also resort to video presentations at bank branches to project the user friendliness of their banking services in general and e-Banking in particular. We suggest that service providers who have to make strategies and decision should cash on the benefits of e-Banking. Given the increased competition and pressures to cut expenses, banks need to attract and retain their customers by creating, maintaining and highlighting such attractive features of e-Banking.

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