

IMPACT OF E-BANKING ON BANKING SERVICES AND CHALLENGES

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Abstract : Electronic banking, also known as electronic funds transfer (EFT), is simply the use of electronic means to transfer funds directly from one account to another, rather than by cheque or cash. 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.

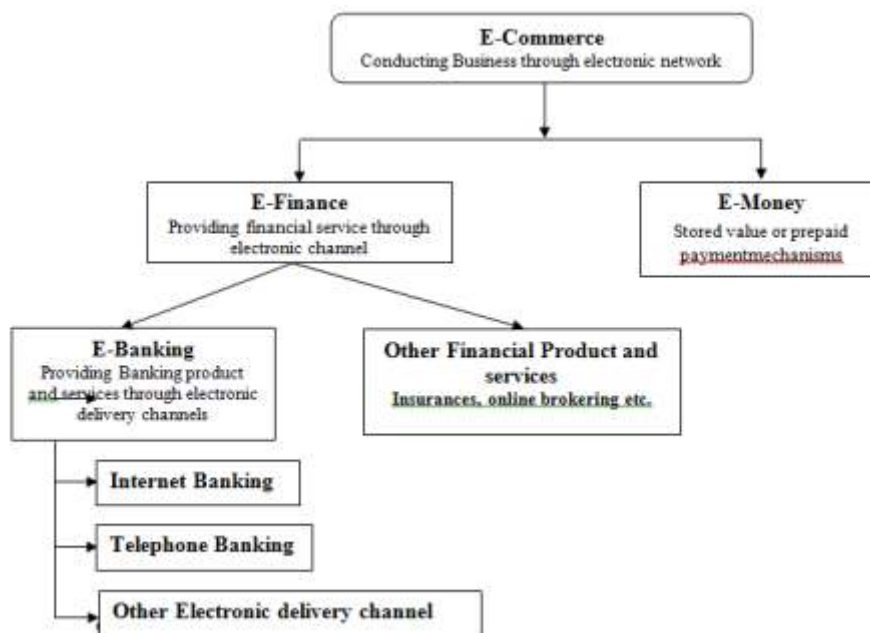
INTRODUCTION

Electronic banking, also known as electronic funds transfer (EFT), is simply the use of electronic means to transfer funds directly from one account to another, rather than by cheque or cash. 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. The most commonly used delivery channel introduced for financial services is the ATM. ATM is a cash rendering teller machine. This helps a bank customer to withdraw money from his account without having to go to the bank. ATM is a user friendly, computer driven system, which operates 24 hours a day, 7 days a week. A totally menu-driven system, it displays easy-to-follow, step-by-step instructions for the customer.

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.

What is E-banking?

In simple words, e-banking implies provision of banking products and services through electronic delivery channels.



1. The primary objective of the research paper is to get the full acquaintance of the internet banking and its benefits.
2. To study of various form of E-Banking.
3. To understand the Challenges in E-Banking.
4. To study the Impact of E-Banking on Banking services.

REVIEW OF LITERATURE:

Internet banking, however, is now used as the term for new age banking system (Singhal and Padhmanbhan, 2008). Internet banking is defined as the use of the Internet to deliver banking activities such as funds transfer, paying bills, viewing current and savings account balance, paying mortgages and purchasing financial instruments and certificates of deposits (Singhal and Padhmanbhan, 2008; Ahasanul et al, 2009). Internet banking is also called Online banking, e- payment and e-banking (Ozuru et al, 2010; Singhal and Padhmanbhan, 2008; Beer, 2006; Jun and Cai, 2001; IAMAI, 2006). E-payment is described as a means whereby banking businesses are transacted through automated processes and electronic devices such as personal computers, telephones, and fax machines, Internet card payments and other electronic channels (Turban et al, 2006; Ozuru et al, 2010). The electronic communications used in Internet banking includes: Internet, e-mail, e- books, data base and mobile phones (Chaffey et al, 2006). Cell phone banking apart from Internet banking is considered the way of the future (Fisher - French, 2007; Masocha et al, 2011).

RESEARCH METHODOLOGY:

The primary source of the information in this research study is the secondary data. The available information on internet regarding the E-Banking has been extensively used to complete the dissertation report. All the available Journals, Articles, papers provided necessary information to finalize the research study.

BENEFITS OF E-BANKING:

- ◆ **Account Information:** Real time balance information and summary of day's transaction.
- ◆ **Fund Transfer:** Manage your Supply-Chain network, effectively by using our online hand transfer mechanism. We can effect fund transfer on a real time basis across the bank locations.
- ◆ **Request:** Make a banking request online.
- ◆ **Convenience:** All the banking transactions can be performed from the comfort of the home or office or from the place a customer wants to.

- ♦ **Speed:** The response of the medium is very fast; therefore customers can actually wait till the last minute before concluding a fund transfer.
- ♦ **Customers can also submit the following requests online:** Registration for account statements by e-mail daily / weekly / fortnightly / monthly basis.

VARIOUS FORMS OF E-BANKING:

❖ **INTERNET BANKING:**

Internet Banking lets you handle many banking transactions via your personal computer. For instance, you may use your computer to view your account balance, request transfers between accounts, and pay bills electronically.

❖ **AUTOMATED TELLER MACHINES (ATM):**

An *automated teller machine or automatic teller machine (ATM)* is an electronic computerized telecommunications device that allows a financial institution's customers to directly use a secure method of communication to access their bank accounts, order or make cash withdrawals (or cash advances using a credit card) and check their account balances without the need for a human bank teller.

PIN (Personal Identification Number) of four or more digits. Upon successful entry of the PIN, the customer may perform a transaction. The Indian market today has approximately more than 1.6laksATM's.(as on 31-3-2014).

❖ **TELE BANKING:**

Undertaking a host of banking related services including financial transactions from the convenience of customers chosen place anywhere across the GLOBE and any time of date and night has now been made possible by introducing on-line Telebankingservices.

The system is bi-lingual and has following facilities offered

- ♦ Balance inquiry and transaction inquiry in all
- ♦ Inquiry of all term deposit account
- ♦ Statement of account by Fax, e-mail or ordinary mail.
- ♦ Cheque book request
- ♦ Stop payment which is on-line and instantaneous
- ♦ Transfer of funds with CBS which is automatic and instantaneous
- ♦ Utility Bill Payments

❖ **SMART CARD:**

A smart card usually contains an embedded 8-bit microprocessor(a kind of computer chip). The microprocessor is under a contact pad on one side of the card. Think of the microprocessor as replacing the usual magnetic stripe present on a credit card or debitcard. The microprocessor on the smart card is there for security.

❖ **DEBIT CARD:**

Debit cards are also known as check cards. Debit cards look like credit cards or ATM (automated teller machine) cards, but operate like cash or a personal check. Debitcards are different from creditcard. While a credit card is a way to "pay later," a debit card is away to "pay now." When you use a debit card, your money is quickly deducted from your checking or savings account.

❖ **E-CHEQUE:**

- ♦ An e-Cheque is the electronic version or representation of paper cheque.
- ♦ The Information and Legal Framework on the E-Cheque is the same as that of the paper cheque's.
- ♦ It can now be used in place of paper cheques to do any and all remote transactions.

OTHER FORMS OF ELECTRONIC BANKING:

- ✓ Direct Deposit
- ✓ Electronic Bill Payment
- ✓ Electronic Check Conversion
- ✓ Cash Value Stored, Etc.

CHALLENGES IN E-BANKING:

❖ THE ABILITY TO ADOPT GLOBAL TECHNOLOGY TO LOCAL REQUIREMENTS:

An adequate level of infrastructure and human capacity building are required before developing countries can adopt the global technology for their local requirements.

❖ THE ABILITY TO MAINSTREAM SMALL AND MEDIUM SCALE ENTERPRISES (SMEs) TOWARDS E-BANKING:

The availability of and access to quality data and banking information is required for SMEs in developing countries to move towards e-banking. Similarly, on-line credit information will enhance SME's ability to secure financing.

❖ THE ABILITY TO CREATE A NECESSARY LEVEL OF REGULATORY AND INSTITUTIONAL FRAMEWORKS:

The lack of regulatory frameworks, trust, security and privacy standards, high trade barriers, customer and investor protections impede progress in implementing e-banking initiatives on a larger scale in many developing countries.

❖ THE ABILITY TO STRENGTHEN PUBLIC SUPPORT FOR E-FINANCE:

Historically, most e-finance initiatives in developing countries have been the result of cooperative efforts between the private and public sectors. For example, Singapore's successful Trade Net system was a government-sponsored project.

PROBLEMS IN E-BANKING:

The problematic issues in e-banking implementation and they create barriers to success. The major issues include:

- ❖ Lack of proper integration of related systems.
- ❖ Culture of achieving only short-term targets.
- ❖ Non web-enabled business processes.
- ❖ Lack of e-commerce promotion within the organization.
- ❖ Difficulties in personalization of products.
- ❖ Lack of understanding customer community.

FUTURE E-BANKING:

Slower than expected adoption, and its failure to meet most of our early hopes has been the main source of threats, but the benefits it offers mean that this channel is growing in prominence every day and it is here to stay. The future of e-banking seems secure due the ever increasing adoption and arrival of new technologies to address existing limitations. Major innovations are expected in the area of e-banking using mobile phones, in security provision and customer services. Much more work is need at both national and international level, to identify and remove any unnecessary barriers to e-banking.

Develop a clear strategy and communicate it throughout the organization. It must be driven by the top management and should take into account the effects of e-banking.

IMPACT OF E-BANKING ON BANKING SERVICES:

- ◆ E-banking is just banking offered via a new delivery channel. It simply gives consumers another service (just as ATMs did).

- ♦ 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.

CONCLUSIONS:

E-banking is a borderless entity permitting anytime, anywhere and anyhow banking. This facilitates us with all the functions and many advantages as compared to traditional banking services. During this step of the process, controls that could mitigate or eliminate the identified risks, as appropriate to the organization's operations, are provided. The goal of the recommended controls is to reduce the level of risk to the IT system and its data to an acceptable level. The e-banking revolution has fundamentally changed the business of banking by scaling borders and bringing about new opportunities. In India also, it has strongly impacted the strategic business considerations for banks (including the PSBs) by significantly cutting down costs of delivery and transactions. In India there is a major risk of the emergence of a digital divide as the poor are excluded from the internet and so from the financial system. Even today, the operational environment for public, private and foreign banks in the Indian financial system is quite different.

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