

E-BANKING: CURRENT AND FUTURE PROSPECTS IN INDIA

Ms. Sheenam Kaushik

Assistant Professor

MMDU, Mullana

Dr. Bhawna Sareen

Assistant Professor

Department of Commerce & Management

S.D College, Ambala Cantt

ABSTRACT

This Special work is dedicated to study the Current and Future Prospects of e-banking in India and further tries to discuss some best e-banking practices that are prevailing in the country. After the effect of demonetization, digital cash has been the hotcake among the citizens of India. Digital cash and online transactions in the current market scenario have a great effect on ebanking and digital banking. E-banking comprises mainly of electronic funds transfer and usage of online banking services. Electronic banking was offered by the international banks initially since flow of digital cash was not predominant in the Indian market until the advent of demonetization. E-banking plays a major role in the present banking functionality. Electronic banking is inferred to be safe and secured, compared to physical banking. e-banking ensures qualitative banking operations compared to traditional banking. However, it has its own limitations and challenges when we talk about security, on the contrary. After visually perceiving the growth rate of e-banking services it can be verbalized that e-banking is accepted in the banking sector and an abundance of work can be done in this sector to make it more advance, safe and more expeditious accommodation provider in finance sector.

KEYWORDS : ATMs, ECS, National Electronic Funds Transfer (NEFT), RTGS, CAGR

INTRODUCTION:

E-banking (Electronic Banking) or online banking means any user with a personal computer and a browser can get connected to his bank by bank 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 be 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. Any customer apply can use number of facilities by e-banking. It can be Operative Account Statement D-MAT, VISA Transfer, Fund Transfer, RTGS, NEFT. Mobile Recharges, and Portfolio Management. This feature is assumed to be one of the most flexible, adaptable and secure ways of transacting among the users/customers to bank. However, it depends on the trust that an individual has on the bank he/she is operating with.

MEANING

E-bank is the electronic bank that provides the financial service for the individual client by means of Internet.

FUNCTIONS OF E-BANKING

At present, the personal e-bank system provides the following services: -

- **INQUIRY ABOUT THE INFORMATION OF ACCOUNT**

The client inquires about the details of his own account information such as the card's / account's balance and the detailed historical records of the account and downloads the report list.

- **CARD ACCOUNTS' TRANSFER**

The client can achieve the fund to another person's Credit Card in the same city.

- **BANK-SECURITIES ACCOUNTS TRANSFER**

The client can achieve the fund transfer between his own bank savings accounts of his own Credit Card account and his own capital account in the securities company. Moreover, the client can inquire about the present balance at real time.

- **THE TRANSACTION OF FOREIGN EXCHANGE**

The client can trade the foreign exchange, cancel orders and inquire about the information of the transaction of foreign exchange according to the exchange rate given by our bank on net.

TYPES OF E-BANKING

- A. Deposits, withdrawals, inter-account transfer and payment of linked accounts at an ATM;
- B. Buying and paying for goods and services using debit cards or smart cards without having to carry cash or a cheque book;
- C. Using a telephone to perform direct banking- make a balance enquiry, inter-account transfers and pay linked accounts;
- D. Using a computer to perform direct banking- make a balance enquiry, inter-account transfers and pay.

BENEFITS OF E-BANKING

To the Customer:

- Anywhere Banking no matter wherever the customer is in the world. Balance enquiry, request for services, issuing instructions etc., from anywhere in the world is possible.
- Anytime Banking – Managing funds in real time and most importantly, 24 hours a day, 7 days a week.
- Convenience acts as a tremendous psychological benefit all the time.
- Brings down “Cost of Banking” to the customer over a period of time.
- Cash withdrawal from any branch / ATM
- On-line purchase of goods and services including online payment for the same.

To the Bank:

- present the bank as technology driven in the banking sector market
- Reduces customer visits to the branch and thereby human intervention
- Inter-branch reconciliation is immediate thereby reducing chances of fraud and misappropriation
- On-line banking is an effective medium of promotion of various schemes of the bank, a marketing tool indeed.
- Integrated customer data paves way for individualized and customized service.

Current Scenario of E-Banking in India

Internet Banking has become an integral part of banking system in India. The concept of e-banking is of fairly recent origin in India. Till the early 90's traditional model of banking i.e. branch based banking was prevalent, but after that non-branch banking services were started. The Indian government enacted the IT Act, 2000, with effect from the 17th October 2000. To examine different aspects of Internet banking RBI set up a committee on Internet Banking. The committee had focused on three major areas of Internet banking, Technology and security issues, legal issues and regulatory and supervisory issues. RBI had accepted the suggestions and recommendations of the working committee and accordingly issued guidelines to banks to implement internet banking in India. The old manual systems which were prevalent in Indian banking for centuries seem to be replaced by modern technologies. Indian banks are making sincere efforts for the adoption of advanced technology and installation of e-delivery channels but still 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. As already discussed, the government of India enacted the IT Act, 2000, which provides legal recognition to electronic transactions and other means of electronic commerce. The RBI has been preparing to upgrade itself as a regulator and supervisor of the technologically dominated financial system. It issued guidelines on risks and control in computer and telecommunication system to all banks, advising them to evaluate the risks inherent in the systems and put in place adequate control mechanisms to address these risks. The existing regulatory framework over banks has also been extended to E-banking. It covers various issues that fall within the framework of technology, security standards, and legal and regulatory issues.

Challenges in adoption of E-banking

E-banking is facing following challenges in Indian banking industry:

- **Not safe and secure:** The most serious threat faced by e-banking is that it is not safe and secure all the time. There may be loss of data due to technical defaults.
- **High start up cost:** E-banking requires high initial start up cost. It includes internet installation cost, cost of advanced hardware, software, modem, computers, cost of maintenance of all computer equipments, and cost of reorganizational structure.
- **Lack of Professional:** There is shortage of web developers' content providers and knowledgeable professionals to perform banking activities through internet.
- **Restricted Business:** All banking transactions cannot be performed electronically. Many banking activities require personal visit of customers.
- **Improper infrastructure:** There is lack of proper infrastructure for the installation of e-delivery channels.
- **Not techno savvy:** A majority of customers are not computer savvy.
- **Unavailability of internet services:** availability of internet band width and connectivity is not uniform.
- **Competition:** The nationalized banks and commercial banks have the competition from foreign and new private sector banks. Competition in banking sector brings various challenges before the banks such as product positioning, innovative ideas and channels, new market trends, cross selling ad at managerial and

organizational part this system needs to be manage, assets and contain risk. Banks are restricting their administrative folio by converting manpower into machine power i.e. banks are decreasing manual powers and getting maximum work done through machine power. Skilled and specialized man power is to be utilized and result oriented targeted staff will be appointed.

FUTURE SCENARIO

various security options like line encryption, branch connection encryption, firewalls, digital certificates, automatic signoffs, random pop-ups and disaster recovery sites are in place or are being looked at, there is as yet no Certification Authority in India offering PublicKey Infrastructure which is absolutely necessary for online banking. The customer can only be assured of a secured conduit for its online activities if an authority certifying digital signatures is in place.

Users of Internet Banking Services are required to fill up the application forms online and send a copy of the same by mail or fax to the bank. A contractual agreement is entered into by the customer with the bank for using the Internet banking services. In this way, personal data in the applications forms is being held by the bank providing the service. The contract details are often one-sided, with the bank having the absolute discretion to amend or supplement any of the terms at any time. For these reasons domestic customers for whom other access points such as ATMs, telebanking, personal contact, etc. are available, are often hesitant to use the Internet banking services offered by Indian banks. Internet Banking, as an additional delivery channel, may, therefore, be attractive / appealing as a value added service to domestic customers. Non-resident Indians for whom it is expensive and time consuming to access their bank accounts maintained in India find net banking very convenient and useful.

The Internet is in the public domain whereby geographical boundaries are eliminated. Cyber crimes are therefore difficult to be identified and controlled. In order to promote Internet banking services, it is necessary that the proper legal infrastructure is in place. Government has introduced the Information Technology Bill, which has already been notified in October 2000. Section 72 of the Information Technology Act, 2000 casts an obligation of confidentiality against disclosure of any electronic record, register, correspondence and information, except for certain purposes and violation of this provision is a criminal offence. The Department of Telecommunications (DoT) is moving fast to make available additional bandwidth, with the result that Internet access will become much faster in the future. This is expected to give a fillip to Internet banking in India.

Reserve Bank of India has taken the initiative for facilitating real time funds transfer through the Real Time Gross Settlement (RTGS) System. Under the RTGS system, transmission, processing and settlements of the instructions will be done on a continuous basis. Gross settlement in a real time mode eliminates credit and liquidity risks. Any member of the system will be able to access it through only one specified gateway in order to ensure rigorous access control measures at the user level. Generic Architecture both domestic and cross border, aimed at providing interconnectivity across banks has been accepted for implementation by RBI.

Following a reference made this year, in the Monetary and Credit Policy statement of the Governor, banks have been advised to develop domestic generic model in their computerization plans to ensure seamless integration. The abovementioned efforts would enable online banking to become more secure and efficient.

With the process of dematerialization of shares having gained considerable ground in recent years, banks have assumed the role of depository participants. In addition to customers' deposit accounts, they also maintain demat accounts of their clients. Online trading in equities is being allowed by SEBI. This is another area which banks are keen to get into. HDFC Bank Ltd., has tied up with about 25 equity brokerages for enabling third party transfer of funds and securities through its business-to-business (B2B) portal, 'e-Net'. Demat account holders with the bank can receive securities directly from the brokers' accounts. The bank has extended its web interface to the software vendors of National Stock Exchange through a tie-up with NSE.IT – the InfoTech arm of the exchange. The bank functions as the payment bank for enabling fund transfer.

CONCLUSION

Banks are making earnest efforts to popularize the e-banking services and products. Younger generation is commencing to optically discern the convenience and benefits of e-banking. In years to come, e-banking will not only be customary mode of banking but will be chosen mode of banking. No doubt Indian banks are making sincere efforts for the adoption of advanced technology and for installation of e-delivery channels but still masses are wary of the concept and still there are many challenges cognate to the safety and security of the money and information so some special arrangements should be made by banks to ensure full security of customers' funds. Technical defaults should be evaded by employing well trained and expert technicians in field of computers, so that loss of data can be avoided. Seminars and workshops should be organised by the banking professionals on the salubrious utilization of e-banking services especially for those who are ATMs or computer illiterate. E-banking services should be customised on basis of age, gender, vocation etc. so that needs and requisites of people can be rewarded accordingly. Government should magnify investments for the construction of well-furnished building and infrastructure.

References

1. Annual Reports of Reserve Bank of India, www.rbi.org.in
2. Kamakodi, N. and Ahmed Khan, M. B. (2008). Customer Expectations and Service Level in Ebanking Era: An Empirical Study. The ICFAI University journal of Bank Management. 7(4), 5070.
3. Mishra A. (2011). Internet Banking: Knowledge is prevention. Retrieved from <http://www.ccaoi.inll11/links/fewnewsletter15th%20lan%20%20Sivurity%20Neu'sletter.pdf>.
4. Mohammed, S. and Shariq, S. (2011). A study of ATM usage in banks in Lucknow. International Journal of Engineering and Management Studies. 2(1), 47-53.
5. Mohan, K. (2006). Information Technology on Indian Banking. SCMS Journal of Indian Management. July-Sept issue, 18-24.
6. N. Jamaluddin (2013). E-Banking-Challenges and Opportunities in India. International Business conference, Australia, 1-15.
7. Raghavan, R.S. (2006). Perception of Indian Banks in 2020. The Chartered Accountant, October issue, 600-606.
8. Reeti Agarwal, Sanjay Rastogi and Ankit Mehrotra (2009). Customers' Perspectives regarding EBanking in an Emerging Economy. Journal of Retailing and consumer services. 16, 340-351.
9. Report on trend and progress of banking in India, RBI, various years
10. Report on Trend and Progress of Banking of India, RBI, various years. www.rbi.org.in.
11. Roshan Lal (2012). E-Banking in India. Asia-Pacific Journal of Marketing & Management Review. 1(4), 16-25.
12. Sharma, D., (2009). India's Leapfrogging steps from Bricks-and-Mortar to Virtual Banking: Prospect and Perils. The IUP Journal of Management Research. 8(3), 45-61.
13. Shukla, R. and Shukla, P. (2011). E-banking: Problems and Prospects. International Journal of Management & Business Studies. 1(1), 23-25.
14. Srinivas, Vissapragada (2009). No More Traditional Banking, Only Virtual. Professional Banker. August issue, 41-43.
15. Tarandeep Kaur (2015). Transformation from e-commerce to m-commerce In India. Sai Om Journal of Commerce & Management. 2(12), 9-17.
16. Unyathanakorn (Jun 2014). Factors Affecting Customer Satisfaction in Online Banking Service. Journal of Marketing Development and Competitiveness. North American Business Press.
17. Uppal, R.K (2011). Internet Banking in India: Emerging Risks and New Dimensions. Business Administration and Management (BAM). 1(3), 77-81 accessed from www.primejournal.org/bam.
18. Uppal, R.K. and Chawla, R. (2009). E-Delivery Channel-Based Banking Services: An Empirical Study. The Indian Journal of Management Research, 8(7), 7-3