

E-Banking in India : An Overview

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Abstract: Internet banking allows any user with a PC and a browser to get connected to his bank's website to perform any of the virtual banking functions and avail himself of any of the bank's services. There is no human operator present in a remote location to respond to his needs such as in telephone banking, or in a call centre. Financial liberalization and technology revolution have allowed the developments of new and more efficient delivery and processing channels as well as more innovative products and services in banking industry. Banking institutions are facing **competition** not only from each other but also from non-bank financial intermediaries (**NBFI**) as well as from alternative sources of financing. Electronic banking involves many different types of transactions. Electronic banking, also known as electronic fund transfer (**EFT**), uses computer and electronic technology as a **substitute** for checks and other paper transactions.

Key Words: Online Banking, Internet banking services.

1. INTRODUCTION:

Web-based figured their pitch was irresistible ---by eliminating physical branches, tellers and banker's hours, they could slash costs and offer customers higher interest rates and more convenience. But in reality, customers want human contact, or at least ATM. The multichannel strategy is what is important to people. They want to be able to use the Web. Online banks have also learned that convenience means more than just 24 hour banking. In fact, some aspects of the virtual banking model are flat-out inconvenient. For example, online banks require that deposits be made by cheque or money order, **eliminating the cash option available at traditional banks**. Adding physical infrastructure, though, adds to an online bank's operating costs and may force it to lower interest rates paid on savings. Online banks maintain that they still run more efficiently than traditional banks because of practices such as online account managers, loan officers, and so on. That allows them to manage a branch with a smaller staff than a traditional bank. Although a multichannel approach may appeal to customers, the strategy undermines the very premise of online---only institutions, and makes them less distinguishable from traditional banks that also offer Web---banking services. It is a lot easier and cheaper for an existing to roll our Internet services than it is for an internet bank to buy enough ATMs or branches to complete on a national level.

2. OBJECTIVES:

To unearth the development of e-banking in India. To identify the challenges that may arise from socio-cultural and economic structure of India in relation to implementation of e-banking. Evaluation to widespread use of the system.

3. METHODOLOGY:

The present study is incorporated with the collection of secondary data. Secondary information have been collected from different relevant books, newspaper and published reports. Information collected from different websites for the study.

4. WHAT IS ELECTRONIC BANKING:

Online banking is also known as cyber banking, home banking, virtual banking, and includes various banking activities that can be conducted from **anywhere** instead of at a physical bank location. Consumers can use e-banking to pay bills online or to secure a loan electronically. Electronic banking saves a lot of time and money for users. For banks, it offers an inexpensive alternative to branch banking and a chance to enlist remote users. Online banking is growing in India.

E-Banking stands for electronic banking. It refers to the banking services provided by the banks over the internet. Internet banking allows any user with a PC and a browser to get connected to his bank's website to perform any of the virtual banking functions and avail himself of any of the bank's services. There is no human operator present in a remote location to respond to his needs such as in telephone banking, or in a call centre. All the services that the bank has

permitted on the Internet are displayed in a menu. Any service can be selected and further interaction is dictated by the nature of the service.

With the expansion of the Internet, more and more banks and financial institutions are using the Internet and the Web to offer an additional channel for their services as well as to improve communication with their customers. Convenient and safe '**anytime anywhere**' banking can be carried out over the Internet.

In India, a number of banks have introduced Internet banking. While most of them are restricted to information about the customer's own account and transactions between different accounts belonging to the same customer, some banks have enhanced their services by including funds transfer between different customers.

5. FEATURES OF E-BANKING IN INDIA:

- Can access current account balances at any time.
- Can obtain charge and credit card statements.
- Can pay bills online and download account transactions.
- Can transfer money between accounts and keep a track of accounts online.
- Can send e-mails to the bank and also use additional services like free phone banking, ATM withdrawals, bill paying.
- Customers have a flexible schedule.
- Can also use additional services like free phone banking, ATM withdrawals, bill paying.

6. E-BANKING SERVICES IN INDIA:

- **Electronic Funds Transfer:** Electronic Funds Transfer (EFT) is a system of transferring money from one bank account to another without any direct paper money transaction.
- **Any Branch Banking:** Any branch banking makes an account accessible from any branch of a particular bank.
- **Automated Teller Machine (ATM):** ATM machine allow the bank customers to gain access to their accounts and authorize them to conduct banking transactions with a magnetically encoded plastic card and a code number.
- **SMS Banking:** Short Message Service (SMS) banking allows customers to make simple transactions to their bank accounts by sending and receiving text messages.
- **Debit cards:** It is a payment card that deducts money directly from a consumer's checking account to pay for a purchase.
- **Credit Cards:** It is a payment card issued by a bank authorizing the holder to buy goods or services on credit.
- **SWIFT:** The society for worldwide Inter-bank Financial Telecommunication ("SWIFT") operates a worldwide financial messaging network which it exchanges messages between banks and other financial institutions.

7. ADVANTAGES OF E-BANKING:

EB sounds like a great opportunity-low overhead, no physical location needed, and few employees. EB is widely used in commerce and include wholesale payments, recurring bill payments, the automated clearing house, electronic draft capture, and electronic cheque presentment. A world's with EB systems will be very different from today's world. New opportunities will arise for consumers, and others. Possible benefits too their firms would be better understanding of the financial behavior of their customers. Income taxes might even become integrated with the EB.

8. CHALLENGES IN ADOPTION OF E-BANKING:

The most solemn threat faced by the banking sector is that the customers do not consider e- banking services safe and secure all the time. They think that there may be loss of data/money due to technical defaults. Banks are facing business challenges also. For the transactions made through internet, the service charges are very low. Unless an astronomically immense number of transactions are routed over the Web, the e-banks cannot think of profit. There is lack of preparedness on the part of both i.e. Banks and customers in the adoption of incipient technological changes. There is lack of congruous infrastructure for the installation of e-delivery channels.

9. CONCLUSION:

The banking industry in India is facing unprecedented competition from non-traditional banking institutions, which now offers banking and financial services over the internet. The deregulation of the banking industry coupled with the emergence of new technologies, are enabling new competitors to enter the financial services market quickly and efficiently. 10.1% growth in deposits of commercial banks as of May 24th, 2019, up from 8.1% last year. 14.2%

growth in currency with public to Rs. 21,17,340 crore as of May 24th, 2019. \$421.86 billion forex reserves as of May 31st, 2019. Outstanding bank deposits have gone up by Rs. 11,45,720 crore on a year-on-year basis to Rs. 124,98,550 crore even as most of the banks refused to go for deeper cut in interest rates.

With an aim to promote **cashless** transactions. Government on Friday proposed to waive merchant discount rate (MDR) for businesses with annual turnover of over RS. 50 crore to encourage them to offer **low-cost digital modes** of payments. In addition to this, the government has also decide to levy a 2% TDS cash withdrawals exceeding Rs.1 crore in a year from bank a/c to discourage the practice of making business payments in cash. I, therefore, propose that the business establishments with annual turnover more than Rs.50 crore shall offer such low cost digi modes of payment to their customers and no charges or MDR shall be imposed on customers as well as merchants, Minister of Finance, Nirmala Sitaraman.

SBI waived charges on NEFT and RTGS transactions through internet and mobile banking from July 1st, 2019, after the RBI decided to do away with the charges with an aim to move the country towards less cash-economy. The country's largest bank, which is about 25% market share, has also decided to do away with the charges on fund transfer through mobile phones using the immediate payment services (IMPS) from August 1st, 2019. "In order to provide an impetus to digital fund movement, SBI waived-off RTGS and NEFT charges for **YONO**, internet banking (INB) and mobile banking (MB) customers from July 1st, 2019. The bank will also for its, INB, MB and YONO customers effective from August 1st, 2019," the bank said.

However, new challenges have to be addressed to ensure that security is not compromised. When one is using online banking systems, it is extremely important for the customer to assure himself that the online bank is a legitimate site, preferably certified by a certifying authority. Customers will be exchanging personal information in addition to giving out the account number and the corresponding in any such online session. Some websites deliberately use names, which are very similar to those of reputed organizations and use this tactic to trick customers into revealing information, which would not otherwise be divulged.

RBI says total digital transactions in volume termed recorded a growth rate of 58.8% during 2018-19, on top of a growth of 50.4% during 2017-18. Given the current trend in cheque usage, the RBI's vision document expects the volume of cheque-based payment would be less than 2% of the retail electronic transactions 2021.

Banking without borders has become an established concept as customers become increasingly sophisticated and international outlook. Bank across the globe have swiftly embraced this change by offering electronic banking across multiple channels. However, in this transition from branch banking to multi-channel banking, the key fact that has been overlooked is, customer convenience.

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