

A STUDY OF E-BANKING SCENARIO IN INDIAN PERSPECTIVE

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Abstract: The banking system plays very important role to develop an economy by enabling it to be competitive and strong enough to face the financial crises and hence forms the core of money market. The banking structure of every economy is going to change with the changing environment. Indian banking is the lifeline of a nation and its people. Banking has helped in developing vital sectors of the economy and to usher in a new dawn of progress on the Indian horizon. The sector has translated the hopes and aspirations of millions of people into reality. Today, Indian banks can confidently compete with modern banks of the world.

Index Terms- Banking System, Banking Structure, New Dawn, Modern Banks.

I. INTRODUCTION

In India though the money market is still characterized by the existence of both the organized and the unorganized segments, institutions in the organized money market have grown significantly and are playing an increasingly important role. Amongst the institutions in the organized sector of the money market, commercial banks and commercial co-operative banks have been in existence for the past several decades. The Regional Rural Banks (RRBs) came in to existence since the middle of seventies.

Banking in India originated in the first decade of 18th century with the General Bank of India coming into existence in 1786. This was followed by Bank of Hindustan. Both these banks are now defunct. After this, the Indian government established three presidency banks in India. The first of the three was the Bank of Bengal in 1809, the other two presidency bank, viz., the Bank of Bombay and the Bank of Madras, were established in 1840 and 1843, respectively. The three presidency banks were subsequently amalgamated into the Imperial Bank of India (IBI) under the Imperial Bank of India Act, 1920 which is now the State Bank of India (SBI).

Bank branches alone are no longer enough to offer services to meet the need of today's high demanding customers. Electronic or online banking is the latest delivery channel to be presented by the retail banks and there is large customer acceptance rate which means delivery of banking services to customers using electronic technology either at their office or home. The e-banking offers huge opportunities in every sphere of business as the competitive advantage, member/client retention, increased revenues and reduced costs. Understanding clients, organizational elasticity, availability of resources, system security, reputable brand name, having multiple integrated channels, e-channel specific marketing, support from top management and good client services are the vital factors for the success of e-banking.

In E-banking system, banks are increasing their customer base with the help of multiple e-delivery channels like ATMs, Credit/Debit/Smart Cards, Internet banking, Mobile banking, Tele banking, EFTs etc. E-banking is offered by many banking institutions due to pressures from global competitions hence, in case of delay in offering transactions based services on the internet; they might lose their market share. To be successful, banks have to offer e-banking facility instead of being pushed into it by others.

The customers can do their banking not only when they want to do but also from the convenience, comfort, confidentiality and security of their homes by using internet or other networks, television, telephone/modems.

II THE E-BANKING SCENARIO IN INDIAN PERSPECTIVE

In the past two decades IT has been the most rapidly changing industry in the world; one industry that has really felt its impact has been the banking sector.

2.1 Traditional Approach

Traditionally, customers were supposed to visit the physical branch for his/her banking transactions. Then, the bank use to put the customer's request into operation with clearing and decision-making responsibilities, which was done at individual branch level only. The head office was responsible for the overall clearing network, branch network and for imparting regular training to staffs. Senior management monitored the organization's performance and framing the policies, programs and procedures accordingly, but the information available to both the branch staff and their customers was limited to one geographical location.

2.2 Modern Approach

Electronic Banking in simple terms, does not involve any physical exchange of money, it's all done electronically, by using internet. Banks offer Internet banking mainly in two ways: by establishing a "website" and offer Internet banking to its customers along with its traditional delivery channels. A second alternative is to establish a "virtual bank", which may offer its customers with the ATM facility also.

III IMPACT OF E-BANKING ON TRADITIONAL BANKING

One of the issues presently being addressed is the impact of e-banking on the traditional banking players. If there are risks inherent in going for e-banking there are other risks in not doing so also. Arguments in favor are as follows:

- E-Banking cost effective.

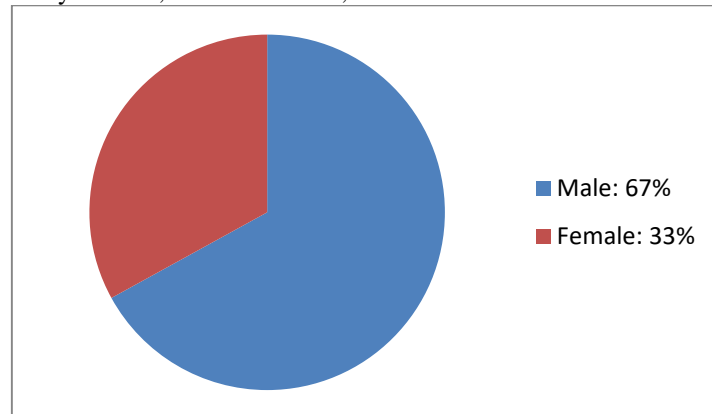
- E-Banks are easy to establish.

Traditional banks faced difficulty in evolving; they were unable to make acquisitions for cash as they were unable to raise additional capital from the stock market. This is in contrast to the situation for internet firms for whom it seems relatively easy to raise money for investment.

In another view, traditional banks are struggling in adopting the latest technologies. The start-up cost for an e-bank is high, establishing a trusted brand is also very expensive then as it requires a good amount of promotion in addition to the purchase of expensive technology (as security and privacy are key to gaining customer approval). E-Banks have already found that retail banking only becomes profitable once a large critical mass is achieved. As a result many e-banks are limiting themselves to providing a customized service to the better off.

3.1 E-Banking Scenario in India

Internet has helped customers in doing their banking transactions in a cost effective manner, which is convenient and time saving also. The e-banking service is available 24*7 and it also allows customers to access the same from remote areas. But there is some risk involved in it as well, that is of data security and privacy. This is the biggest challenge for e-banks. The lead in internet banking in India has been taken up by the new private sector banks and foreign banks and the four banks which offer Internet banking facilities in a significant way are SBI, Bank of Baroda, HDFC Bank and ICICI Bank.



Internet cafes are famous in gathering places among young, beginner Indian internet users. The fame of these cafes is playing a major part in fuelling the internet development in India. The cafes provide easy entry points for the starters. In a new study, internet research firm Net Sense found that almost 40% of the users accessing the internet via cybercafés have less than one year of surfing experience.

E-Banks offer a variety of products and services to attract maximum customers. This will help in building a good market share, creating customer loyalty, with features that are user friendly, more useful and cost effective. E-Banking is attracting customers by developing their area of 'convenience'.

3.2 FEATURES OF INTERNET BANKING:

3.2.1 Online applications

Consumers interested in doing banking through electronic mode can get the same facility online only, by registering on the bank's website.

3.2.2 Bank Account Access

E-Banking customers also have the ability to view their accounts online.

3.2.3 Transfer of Funds

Customers can also transfer funds from one bank account to another through internet banking registration.

3.2.4 Bill Payment.

Online bill payment is one of the most helpful features of internet banking; it helps in making payment of bills electronically in a second time. The biller is first added by the customer in his/her e-banking account and post which, monthly or accordingly, bill can be paid by just one click of mouse.

3.2.5 Benefits at Participating Online Merchants

The banks partner with online merchants, like matrimony sites, travel agencies, etc. to offer discounts to the customers when a purchase is made with the card.

3.2.6 24*7 Customer Service

Internet banking facility can be availed any time by the user and anywhere, as per customer's convenience and comfort.

3.2.7 Access to Old Transactions

Internet interface is designed in such a manner that history of bank account statement or e-transactions can be viewed. Some banks provide the data for last 30-45 days only, while others offer a history of six months to 5 years also.

Loan Status and Credit Card Account Information

Many banks are also providing the feature to check the loan status and to see the credit card information as well. Banks ultimate objective is to let customer access his/her all the possible accounts, under one id only, for their delight. This will further also help the banks in increasing their customer base. These features and many others like ordering a cheque book, making a demand draft (DD), stop payment instructions, etc. help customers in saving their time and simplify their lives.

IV E-BANKING STRATEGY

Financial institution management must choose the level of e-banking services based on customer needs and the institution's risk assessment. Institutions need to reach this decision and the factors considered are customer demand, competition, expertise, implementation expense, maintenance costs and capital support.

An institution may choose not to provide e-banking services or to limit e-banking services to an informational website only. Banks or financial institutions must do periodic review to ensure that everything is appropriate for the institution's overall business strategy. Institution's growth depends on the growth in market share, relationship with the customers, cost reduction or new revenue generation. If the bank or a financial institution thinks that a transactional website is appropriate, the next decision is the range the electronic products and services.

A bank or a financial institution to have a good market share and to grow must ensure that the e-banking facility to be offered to the customers and for which it is essential to do cost-benefit analysis, risk assessment, monitoring activities, establish clear accountability for the development of policies, regular internal and external audit and managing outsourcing relationships.

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