

“Challenges and Benefit of E-banking”

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Introduction

E-banking came into being in UK and USA in 1920s. It became prominently popular during 1960s through electronic funds transfers and credit cards. The concept of web-based banking came into existence in Europe and USA in the beginning of 1980s. It has been estimated that around 40 percent of banking transaction would be done through Net. One of the technologies which really brought information revolution in the society is Internet Technology and is rightly regarded as the third wave of revolution after agricultural and industrial revolution. Advent and adoption of Internet by the industries has removed the constraint of time, distance and communication making globe truly a small village.

The expansion of electronic home banking is definitely one of the most influential drivers in the restructuring of banking services. The previous dependence on large networks of branch offices has been replaced by digital services. Consumers are increasingly using internet to purchase products and services, they need convenient, safe and familiar payment and banking services. Due to increase of mobile devices, this trend of digital self-services in banking, irrespective of time and place, can be expected to continue. Competition and the constant changes in technology and lifestyles have changed the face of banking. Nowadays, banks are seeking alternative ways to provide and differentiate amongst their varied services. Customers, both corporate as well as retail, are no longer willing to queue in banks, or wait on the phone, for the most basic of services. They demand and expect to be able to transact their financial dealings where and when they wish to. Electronic banking is the wave of the future. It provides enormous benefits to consumers in terms of the ease and cost of transactions. Access is fast, convenient, and available around the clock, whatever the customer's location plus, banks can provide services more efficiently and at substantially lower costs. Electronic banking also makes it easier for customers to compare banks' services and products, can increase competition among banks, and allows banks to penetrate new markets and thus expand their geographical reach. Internet revolution is global phenomenon and going by the current growth statistics, India expects a spurt in the Internet penetration in coming years particularly in the electronic commerce. It is an obvious notion that electronic (internet) banking and payments are likely to advance more or less in tandem with e-commerce.

Internet banking allows banking from anywhere, anytime and is used for transactions, payments, etc. over the internet through a bank, a credit union or society's secure website. Internet banking, a client has one-to-one interaction with the bank's website, and in such a situation it is essential on the part of bank to provide high quality services over the internet. Customer satisfaction, customer retention and new customer acquisition are the key factors in Internet banking system. These transactions include such things as paying bills, transferring funds, viewing account statements and paying down loans and mortgages. Although Internet Banking has been popular among young Internet-savvy people for many years, its popularity is expected to grow rapidly as Internet usage grows internationally.

The biggest advantage of Internet banking is that people can expend the services sitting at home, to transact business. Due to which, the account holder does not have to personally visit the bank. With the help of Internet banking many transactions can be executed by the account holder.

When small transactions like balance inquiry, record of recent transaction, etc. are to be processed, the Internet banking facility proves to be very handy. The concept of Internet banking has thus become a revolution in the field of banking and finance. In India all the large banks has introduced Internet banking services, but adaption of this service is less because access to the Internet was limited, high-speed Internet connection were rare and e-business applications were clunky. Customer has discovered that they are able to pay bills, transfer funds and check transactions 24 hours a day from the comfort of their homes. In addition to Internet Banking, this included the use of Automated Teller Machines (ATM) and mobile banking services. From the perspective of banking products and services being offered through Internet, Internet banking is nothing more than traditional banking services delivered through an electronic communication backbone, viz, Internet.

E-Banking in India:

In India e-banking is of fairly recent origin. The traditional model for banking has been through branch banking. Only in the early 1990s there has been start of non-branch banking services. The good old manual systems on which Indian Banking depended upon for centuries seem to have no place today. The credit of launching internet banking in India goes to ICICI Bank. Citibank and HDFC Bank followed with internet banking services in 1999. Several initiatives have been taken by the Government of India as well as the Reserve Bank to facilitate the development of e-banking in India. The Government of India enacted the IT Act, 2000 with effect from October 17, 2000 which provided legal recognition to electronic transactions. The Reserve Bank is monitoring and reviewing the legal and other aspects of e-banking on a continuous basis to ensure that e-banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability.

A high level Committee under chairmanship of Dr. K.C. Chakrabarty and members from IIT, IIM, IDRBT, Banks and the Reserve Bank prepared the „IT Vision Document-2011-17“, for the Reserve Bank and banks which provides an indicative road map for enhanced usage of IT in the banking sector. To cope with the pressure of growing competition, Indian commercial banks have adopted several initiatives and e-banking is one of them. The competition has been especially tough for the public sector banks, as the newly established private sector and foreign banks are leaders in the adoption of e-banking.

Indian banks offer to their customers following e-banking products and services:

- Automated Teller Machines(ATMs)
- Internet Banking
- Telebanking
- Mobile Banking
- Phone Banking
- Electronic Clearing Services
- Electronic Clearing Cards
- Smart Cards
- Door Step Banking
- Electronic Fund Transfer

The three broad facilities that e-banking offers are:

- Convenience-Complete your banking at your convenience in the comfort of your home.

- No more Qs-There are no queues at an online bank.
- 24x7 service-Bank online services is provided 24 hours a day, 7 days a week and 52 weeks a year.

E-Banking: The Concept

Delivery of banking services to customers at their office or home with the help of electronic technology is termed as e-banking. Daniel (1999) defines electronic banking as the delivery of bank's information and services by banks to customers via different delivery platforms that can be used with different terminal devices such as a personal computer and a mobile phone with browser or desktop software, telephone or digital television.

E-banking is a brew of services that embody Internet banking, Mobile banking, ATM, Fund Transfer System, Real Time Gross Settlement (payment & allotment system), Credit/Debit/Smart/Kisan Cards, Cash government services, as well as Data warehousing. E-based banking is also known as Cyber banking, home banking, and virtual banking and includes various banking activities that can be conducted from anywhere (Dheenadhyayalan 2010).

A perusal of the concept of e-banking as described in the literature reveals that the term e-banking, is an upper construct that encompasses an array of banking services delivered through electronic media, be it through phone, PC, TV or internet. Thus the term E-banking includes RTGS, NEFT, ECS, Credit cards and debit cards, Cheque truncation, ATM, Tele banking, Internet banking and Mobile banking.

This transfer process makes money to be carried in information storage medium such as cheques, credit cards, and electronic means than its pure cash form. E-banking has thus become important channel to sell Products and Services; leading to a paradigm shift in marketing practices, resulting in high performance in the banking industry (Singhal and Padhmanabhan, 2008).

What is E-banking?

In simple words, e-banking implies provision of banking products and services through electronic delivery channels. Electronic banking has been around for quite some time in the form of automatic teller machines (ATMs) and telephone transactions.

Objectives of the study:-

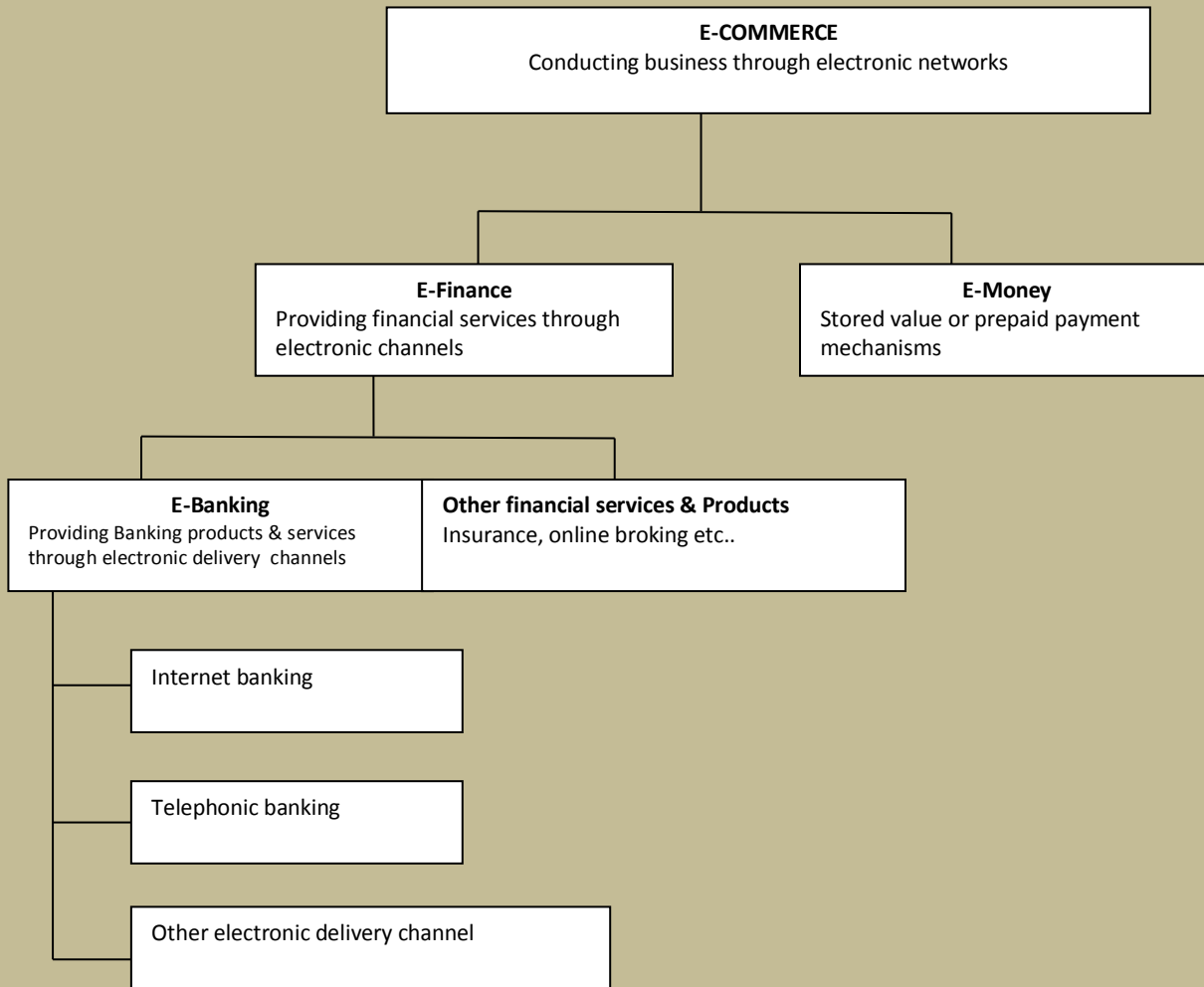
The objectives of the research paper is as below:

1. To get the full acquaintance and concept of E-banking.
2. To know the Benefits and challenges of E-banking.

Research Methodology:-

The primary source of data collection in this research paper is the secondary data. The available information on internet regarding the E-Banking has been extensively used to complete the research report. All the available Journals, Related books, Web, Articles, Publish and unpublished information and Papers provided necessary information to the finalize the research paper.

What is Electronic Banking?



Benefits of e-banking:-

❖ Customer's point of view:-

1. Reduced costs in accessing and using the banking services.
2. Increased comfort and time saving - transactions can be made 24x7 service-Bank online services is provided 24 hours a day, 7 days a week and 52 weeks a year without requiring the physical interaction with the bank.
3. Quick and continuous access to information- Corporations will have easier access to information as, they can check on multiple accounts immediately.
4. Reduced costs- This is in terms of the cost of availing and using the various banking products and services.
5. Convenience- All the banking transactions can be performed from the comfort of the home or office or from the place a customer wants to by the aid of e-banking.
6. Speed - The response of the medium is very fast; therefore customers can transfer the funds from one place to another place within a minute.

7. Funds management- Customers can procure their history of different accounts and do a “what-if” analysis on their own PC before affecting any transaction on the web. This will lead to better funds management.
8. You don't need to queue up in a branch to be served.
9. You can apply for a loan or a mortgage directly from the web site and get an answer very quickly.
10. No Lines-One of the things most people dislike about banks is waiting in line. By banking online, you don't have to wait in line to get your banking done, leaving you with more time to get other things done.

❖ **Banks point of view:-**

1. Better cash management- E-banking facilities speed up cash cycle and enhance efficiency of business processes as large variety of cash management instruments are available in banks.
2. Reduce staff -The customers do all of the work themselves so staff numbers can be reduced.
3. Cost saving-Traditional banks are very expensive to run, high street rental for a branch costs thousands of rupees per year. On top of that are staff costs, insurance, heating and lighting costs. It has been estimated that banks can save around 50% on the cost of transactions through the use of on-line banking.
4. Attract costumers-Banks can attract new customers to their online business for a fraction of the cost it takes to get one through the door of a high street branch.
5. An advertisement in a Sunday newspaper about a new internet account can generate over 200,000 visits to the website in a day. A traditional bank could never cope with this amount of customers in a day.
6. Attractive Rates and Incentives-Better management practices, consolidated operations and streamlined savings from managing and delivering online banking services allow banks to offer attractive rates and other incentives to customers.
7. *Mobility*-Online banking now includes mobile capabilities. New applications are continually being created to expand and improve this capability on mobile devices.

Challenges in E-Banking

1. 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.
2. 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. If the public sector does not have the necessary means to implement the projects it is essential that cooperative efforts between public and private sectors, along with the multilateral agencies like the World Bank, be developed to facilitate public support for e-finance related initiatives.
3. Confidentiality, integrity and authentication are very important features of the banking sector and were very successfully managed the world over in pre-internet times. Communication across an open and thus insecure channel such as the internet might not be the best base for bank-client relations as trust might partially be lost [Grethen 2001].

4. E-Banking has created many new challenges for bank management and regulatory and supervisory authorities. They originate not just from increased potential for cross border transactions but also for domestic transactions based on technology applications which raise many security related issues [Hawkins 2002]. The Basel Committee on Banking Supervision's Electronic Banking Group (EBG) (2001) has defined risk management principles for electronic banking. They primarily focus on how to extend, adapt, and tailor the existing risk-management framework to the electronic banking setting. It is necessary to know whether the efforts undertaken by the RBI are sufficient to ensure a reasonable level of security.
5. There are some serious implications of international e-banking. It is a common argument that low transaction costs potentially make it much easier to conduct cross-border banking electronically. For many banks, cross border operations offer an opportunity to reap economies of scale. But cross-border finance also needs a higher degree of cross-border supervision. Such cooperation may need to extend to similar supervisory rules and disclosure requirements (for efficiency and to avoid regulatory arbitrage) and some harmonizing of legal, accounting and taxation arrangements.
6. New methods for conducting transactions, new instruments, and new service providers will require legal definition, recognition, and permission. For example, it will be essential to define an electronic signature and give it the same legal status as the handwritten signature.

Conclusion:-

The banking industry has been a leader in the e-business world in recent years. 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 by significantly cutting down and transactions. It must be noted, that while e-banking provides many benefits to customers and banks, it also aggravates traditional banking risks. Compared to developed countries, developing countries face many impediments that affect the successful implementation of e-banking system. One of the benefits that banks experience when using ebanking is increased customer satisfaction. This due to that customers may access their accounts anywhere and they get involved more, this creating relationships with banks. Banks should provide their customers with convenience, meaning offering service through several distribution channels (ATM, Internet, physical branches) and have more functions available online. Other benefits are expanded product offerings and extended geographic reach. With all these benefits banks can obtain success on the financial market. But e-banking is a difficult business and banks face a lot of challenges.

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