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E-Banking concept

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Introduction:

E-Banking concept and its advantages and disadvantages

E-banking refers to electronic banking. It is like e-business in banking industry. E-banking is also called as "Virtual Banking" or "Online Banking". E-banking is a result of the growing expectations of bank's customers. E-banking involves information technology based banking. Under this I.T system, the banking services are delivered by way of a Computer-Controlled System. This system does involve direct interface with the customers. The customers do not have to visit the bank's premises.

E-banking provides enormous benefits to consumers in terms of ease and cost of transactions, either through Internet, telephone or other electronic delivery. Electronic finance (E-finance) has become one of the most essential technological changes in the financial industry. E-finance as the provision of financial services and markets using electronic communication and computation. In practice, e-finance includes e-payment, e-trading, and e-banking. The popular services covered under E-banking include: -

- Automated Teller Machine
- Credit Card
- Debit Card
- Electronic Funds Transfer (EFT) System.
- Mobile Banking

Automated Teller Machine (ATM)

An automated teller machine or automatic teller machine is an electronic telecommunications device that enables the customers of a financial institution to perform financial transactions, particularly cash withdrawal, without the need for a human cashier, clerk or bank teller. the customer is identified by inserting a plastic ATM card with a magnetic stripe or a plastic smart card with a chip that contains a unique card number and some security information such as an expiration date or CVVC (CVV). Authentication is provided by the customer entering a personal identification number (PIN). Using an ATM, customers can access their bank deposit or credit accounts in order to make a variety of transactions such as cash withdrawals, check balances, or credit mobile phones

Debit Card

A debit card is a plastic payment card that provides the cardholder electronic access to their bank account(s) at a financial institution. one cards may bear a stored value with which a payment is made, while most relay a message to the cardholder's bank to withdraw funds from a payer's designated bank account. The card, where accepted, can be used instead of cash when making purchases.

Credit Cards

A credit card is a payment card issued to cardholders as a method of payment. It allows the cardholder to pay for goods and services based on the holder’s promise to pay for them. The issuer of the card (usually a bank) creates a revolving account and grants a line of credit to the cardholder, from which the cardholder can borrow money for payment to a merchant or as a cash advance.

Credit cards allow the consumers a continuing balance of debt, subject to interest being charged. A credit card also differs from a cash card, which can be used like currency by the owner of the card. A credit card differs from a charge card also in that a credit card typically involves a third-party entity that pays the seller and is reimbursed by the buyer, whereas a charge card simply defers payment by the buyer until a later date.

Electronic Funds Transfer (EFT) System

Electronic Funds Transfer (EFT) is a system of transferring money from one bank account directly to another without any paper money changing hands. One of the most widely-used EFT programs is Direct Deposit, in which payroll is deposited straight into an employee's bank account, although EFT refers to any transfer of funds initiated through an electronic terminal, including credit card, ATM, Fed wire and point-of-sale (POS) transactions. It is used for both credit transfers, such as payroll payments, and for debit transfers, such as mortgage payments.

Mobile Banking

Mobile banking differs from mobile payments, which involves the use of a mobile device to pay for goods or services at the point of sale or remotely, analogously to the use of a debit or credit card to affect an EFTPOS payment. The earliest mobile banking services used SMS, a service known as SMS banking. With the introduction of smart phones with WAP support enabling the use of the mobile web in 1999, the first European banks started to offer mobile banking on this platform to their customers

Internet banking has its advantages and disadvantages.

Advantages of Internet banking

- Convenience – Banks that offer internet banking are open for business transactions anywhere a client might be as long as there is internet connection. Apart from periods of website maintenance, services are available 24 hours a day and 365 days round the year. In a scenario where internet connection is unavailable, customer services are provided around the clock via telephone.
- At the touch of a button, actual time account balances and information are availed. This hastens the banking processes hence increasing their efficiency and effectiveness.
- Online banking allows for easier updating and maintaining of direct accounts. The time for changing mailing address is greatly reduced, ordering of additional checks is availed and provision of actual time interest rates.
- Friendlier rates – Lack of substantial support and overhead costs results to direct banks offering higher interest rates on savings and charge lower rates on mortgages and loans.
- Some banks offer high yield certificate of deposits and don’t penalize withdrawals on certificate of deposits, opening of accounts without minimum deposits and no minimum balance.
- Transfer services – Online banking allows automatic funding of accounts from long established bank accounts via electronic funds transfers.
- Ease of monitoring – A client can monitor his/her spending via a virtual wallet through certain banks and applications and enable payments.
- Ease of transaction – the speed of transaction is faster relative to use of ATM’s or customary banking.

Disadvantages of Internet banking

- Banking relationship – Customary banking allows creation of a personal touch between a bank and its clients. A personal touch with a bank manager for example can enable the manager to change terms in your account since he/she has some discretion in case of any personal circumstantial change. It can include reversal of an undeserved service charge.
- Security matters – Direct banks are governed by laws and regulations similar to those of customary banks. Accounts are protected by Federal Deposit Insurance Corporation (FDIC).
- Complex encryption software is used to protect account information. However, there are no perfect systems. Accounts are prone to hacking attacks, phishing, malware and illegal activities.
- Learning – Banks with complicated sites can be cumbersome to navigate and may require one to read through tutorials to navigate them.
- Transaction problems – face to face meeting is better in handling complex transactions and problems. Customary banks may call for meetings and seek expert advice to solve issues.

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