E-BANKING IN INDIA-AN OVERVIEW

K.RAGHA PRIYA
M.COM (CA), M.PHIL.,
ASSISTANT PROFESSOR,
Department of commerce with (CA),
Mangayarkarasi College Of Arts And Science For Women, Paravai.

INTRODUCTION

The last chapter reviewed the literature on role of information technology in banking industry. In addition to that, all the aspects pertaining to information technology in banks have been discussed. While Information technology in banking industry is introduced in details, work to be carried out under this study has been explained. The research methodology adopted along with objectives and hypotheses of the study have also been clearly defined. The framework was made to proceed with the work and to bring the study to a logical conclusion. The present chapter is devoted to present an overview of e-banking and discuss its theoretical background. An elaborate discussion on the concept of e-banking is presented.

Concept of E-banking

Liberalization and de-regulation process, which started in 1991-92 has made a drastic change in the Indian banking system. From a totally regulated environment, we have gradually moved into a market driven competitive system. Latest Developments in Information Technology have also brought along a whole set of challenges to deal with. Speedy changes in technology, complexities, high costs, security and data privacy issues, new rules and regulations and lack of trained manpower are some challenges faced by commercial banks in India.

K.RAGHA PRIYA
E-Banking in India: An Overview

E-banking can simply be defined as using Automated Teller Machines (ATM’s), telephones, internet and mobiles for doing day to day simple and advance transaction without being physically present in the bank, to use the services like making queries for account balance, making different type of payments like bills, mobile recharge, money transfer, filing income tax return electronically. In simple words, e-banking is concerned with doing all these transactions from home or office without visiting the branch; 24 hours, 7 days in a week by using ATM’s, telephones, internet and mobiles etc for doing banking services.

Benefits of E-banking:

E-banking helps the customers as well as banks by overcoming the drawbacks of manual system as computers are capable of storing, analysing, consolidating, searching and presenting the data as per the requirement of customers and banks with a lot of speed and accuracy.

Advantages to the Banking institutions

1. E-banking helps in reducing the cost of delivering the services to the customers.
2. It provides banks with competitive advantage among their peers.
3. It reduces the use of paper money that helps the central bank in printing less paper notes.
4. Through websites, banks can earn revenue by promotional activities.
5. FAQ’s uploaded over the banks’ website will reduce the workload on employees.
6. Customers can avail e-banking facility from anytime, anyplace, therefore there is a need to invest more and more on relevant infrastructure.

Advantages to the customers

1. E-banking delivers 24x7 services to customer.
2. Easy access to account information in quick time.
3. Payment can be made online for the purchase of goods and services.
4. With e-banking, customers can check account balance, can get statement of their account, check the progress of their investments and collect other relevant information.
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E-banking Services in India

E-banking simply refers to the use of electronic channels like phone, mobile, internet etc for delivery of their services to their valuable customers. It increases the efficiency in the area of effective payment by enhancing the delivery of banking services in quick time. E-banking has helped banks to retain the current customers, increase customers satisfaction, acquire further share in the markets and reduce the costs of delivering service to the customers. Delivery of services has gained increasing popularity through electronic platform. It provides alternative way for delivery of services in a faster way to the customers. Various number of services are being offered by banks through electronic banking. It is quite difficult to measure the extent of such services, but an effort has been made by classifying these services into following categories.

Automated Teller Machines (ATM’s)

Automatic teller machines have transformed the concept of banking in India. It has eliminated the requirement of to stand in long queue and filling of forms for routine banking transaction. Now customers of banks can access their money with the scratch of an ATM Card. An automated teller machine (ATM) is an electronic computerised device that allows banks customers to directly use a secured method of communication to access their bank accounts. Entry of Automated teller machines (ATM’s) has changed the office atmosphere of the branches of banks. There is no need for a customer to visit branches for their day to day banking transaction like cash deposits, cash withdrawals, balance enquiry, dropping cheque etc. Electronic channels have opened new avenues for banks. ATM’s are electronic machines which are operated by customer himself to withdraw or deposit cash. Flexible payment methods and user friendly banking services are now available for the customers. This has been possible due to introduction of information technology in banking industry. Internet banking, mobile banking, phone banking are the new development in banking industry and expected to result in more efficient banking system. However the pressure from private and foreign banks in India to public sector banks has posed a challenging environment. Latest advance banking technology brought up by private and foreign banks have great impact on Indian banking system. These alternative delivery channel includes ATM’s, phone banking, internet banking, mobile banking. Out of all these e-banking services, automated teller machines
E-BANKING IN INDIA-AN OVERVIEW

are most heavily demanded and fulfil most of the needs of the customers without visiting the bank. ATM delivers multiple services 24x7.

The customer is identified at ATM by inserting a plastic ATM/Debit card with a magnetic stripe or a plastic smart card with a chip that has a unique card number issued to the customer and some security information such as an expiration date or CVVC (CVV). Authentication is provided by the customer entering a personal identification number (PIN) for using any service at ATM’s. The number of ATM machines has grown from 34789 in March 2008 to 114014 in March 2013 (RBI working report, 2013).

**Telephone Banking**

Phone banking, tele banking or telephone banking are all the same. In phone banking, banking transaction is done over the telephone. Customers of banks can get information about their accounts, make banking transaction like fixed deposits, money transfer, demand draft, collection and payment of bills etc by using telephones. As more and more people are using mobile phones, telephone banking is also possible with the help of mobile phones. Telephone banking satisfies the customer with fast, anytime transaction and account information via telephone access. With a simple push of a button, customers can check a deposit, account information, transfer fund as well as perform number of other function. Telephone banking system uses technology that keeps the cost of delivering the service very low.

**Internet banking**

E-banking has been prevailing in India around sometime in the form of automated teller machine. Thereafter, it has been transformed by the internet and a new delivery channel has emerged that benefits both banks as well as customers. Internet banking or online banking, as it is sometimes called, simply is an extension to traditional banking, which uses internet both as a medium for receiving instructions from the customers and also delivering services to them. Internet banking, as a medium of delivering the banking services to customers and as a strategic tool for the development of banking business, has gained wide acceptability in all developed nations and is quickly spreading in developing nations like India with more and more banks entering the fray.

**Facilities provided to Mobile banking customers**

1. Fund transfer can be made possible with the help of mobile banking.
2. Customer can request a cheque book with the help of mobile banking.
3. Mobile banking provides the facility of demat inquiry to the customers.

Language and literacy barrier

Unfamiliar language and illiteracy could be barriers in using e-banking service. Currently, all the websites of banks providing internet banking service are mostly in English language.

### Table 2.1

**Bank Group Wise Technology Related Frauds**

(NumberOf cases in absolute terms and amount involved in Rs. Crore)

<table>
<thead>
<tr>
<th>Bank group</th>
<th>2009-10</th>
<th></th>
<th>2010-11</th>
<th></th>
<th>2011-12</th>
<th></th>
<th>2012-13</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. Of Cases</td>
<td>Amount involved</td>
<td>No. Of Cases</td>
<td>Amount involved</td>
<td>No. Of Cases</td>
<td>Amount involved</td>
<td>No. Of Cases</td>
<td>Amount involved</td>
</tr>
<tr>
<td>Nationalised Banks including SBI</td>
<td>118</td>
<td>1.82</td>
<td>143</td>
<td>3.39</td>
<td>172</td>
<td>7.26</td>
<td>190</td>
<td>9.85</td>
</tr>
<tr>
<td>Private Sector Banks</td>
<td>14396</td>
<td>34.68</td>
<td>9653942</td>
<td>21.87</td>
<td>6561</td>
<td>16.6</td>
<td>3414</td>
<td>35.06</td>
</tr>
<tr>
<td>Foreign Banks</td>
<td>5273</td>
<td>26.88</td>
<td>4486</td>
<td>14.77</td>
<td>3315</td>
<td>14.60</td>
<td>5161</td>
<td>22.45</td>
</tr>
<tr>
<td>Grand Total</td>
<td>19787</td>
<td>63.38</td>
<td>14271</td>
<td>40.03</td>
<td>10048</td>
<td>38.46</td>
<td>8765</td>
<td>67.36</td>
</tr>
</tbody>
</table>

**Conclusion**

E-banking is delivery of banking services through electronic channels. ATM”s, internet banking, mobile banking, phone banking are all such e-banking services. All the commercial banks these days are delivering these services to their valuable customers. In the next chapter, history of SBI is given, transformation of SBI from 1955 to 2013 is discussed. Various e-banking services/products of SBI have been brought to light.