

E-Banking And Its Overview

Vishesh Srivastav

Abstract— 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 as well as from alternative sources of financing. Another strategic challenge facing banking institutions today is the growing and changing needs and expectations of consumers in tandem with increased education levels and growing wealth. Consumers are becoming increasingly discerning and have become more involved in their financial decisions. This paper investigates the factors which are affecting the acceptance of e-banking services among the customers and also indicates level of concern regarding security and privacy issues in Indian context. The finding depicts many factors like security and privacy and awareness level increased the acceptance of e-banking services among Indian customers. The finding shows that if banks provide them necessary guidance and ensure safety of their accounts, customers are willing to adopt e-banking.

Keywords— Awareness, Customers, E-banking

I. Introduction

Internet Banking lets you handle many banking transactions via your personal computer. For instance, you may use your computer to view your account balance, request transfers between accounts, and pay bills electronically. Internet banking system and method in which a personal computer is connected by a network service provider directly to a host computer system of a bank such that customer service requests can be processed automatically without need for intervention by customer service representatives. The system is capable of distinguishing between those customer service requests which are capable of automated fulfillment and those requests which require handling by a customer service representative. The system is integrated with the host computer system of the bank so that the remote banking customer can access other automated services of the bank. The method of the invention includes the steps of inputting a customer banking request from among a menu of banking requests at a remote personnel computer; transmitting the banking requests to a host computer over a network; receiving the request at the host computer; identifying the type of

customer banking request received; automatic logging of the service request, comparing the received request to a stored table of request types, each of the request types having an attribute to indicate whether the request type is capable of being fulfilled by a customer service representative or by an automated system; and, depending upon the attribute, directing the request either to a queue for handling by a customer service representative or to a queue for processing by an automated system..

II. Methodology

A. Objectives

1. To know how the internet banking has revolutionised the banking sector.
2. To help the learner's to know about the current concerns in the internet banking.
3. To know how challenging internet banking has become and how the banking sector applies different strategies to cope up with the challenging environment.

B. LIMITATIONS

1. The research study has been done from a selective material on the internet.
2. Only selective journals, papers and articles have been put to use because of the time factor.
3. There is the possibility of further updating of this research paper because of limited sources.
independent document. Please do not revise any of the current designations.

III. BENEFITS/CONCERNS OF E-BANKING

A. Benefits of E-Banking

For Banks:

Price- In the long run a bank can save on money by not paying for tellers or for managing branches. Plus, it's cheaper to make transactions over the Internet. **Customer Base-** the Internet allows banks to reach a whole new market- and a well-off one too, because there are no geographic boundaries with the Internet. The Internet also provides a level playing field for small banks who want to add to their customer base. **Efficiency-** Banks can become more efficient than they

Authors Name: Vishesh Srivastav
KES Shroff College of Arts and Commerce
Mumbai, India

already are by providing Internet access for their customers. The Internet provides the bank with an almost paper less system. Customer Service and Satisfaction- Banking on the Internet not only allow the customer to have a full range of services available to them but it also allows them some services not offered at any of the branches. The person does not have to go to a branch where that service may or may not be offer. A person can print of information, forms, and applications via the Internet and be able to search for information efficiently instead of waiting in line and asking a teller. With more better and faster options a bank will surely be able to create better customer relations and satisfaction. Image- A bank seems more state of the art to a customer if they offer Internet access. A person may not want to use Internet banking but having the e-service available gives a person the feeling that their bank is on the cutting image.

For Customers:

Bill Pay is a service offered through Internet banking that allows the customer to set up bill payments to just about anyone. Customer can select the person or company whom he wants to make a payment and Bill Pay will withdraw the money from his account and send the payee a paper check or an electronic payment Other Important Facilities: E- banking gives customer the control over nearly every aspect of managing his bank accounts. Besides the Customers can, Buy and Sell Securities, Check Stock Market Information, Check Currency Rates, Check Balances, See which checks are cleared, Transfer Money, View Transaction History and avoid going to an actual bank. The best benefit is that Internet banking is free. At many banks the customer doesn't have to maintain a required minimum balance. The second big benefit is better interest rates for the customer.

B. CONCERNS WITH E-BANKING

As with any new technology new problems are faced. Customer support - banks will have to create a whole new customer relations department to help customers. Banks have to make sure that the customers receive assistance quickly if they need help. Any major problems or disastrous can destroy the banks reputation quickly and easily. By showing the customer that the Internet is

Reliable you are able to get the customer to trust online banking more and more. Laws - While Internet banking does not have national or state boundaries, the law does. Companies will have to make sure that they have software in place software market, creating a monopoly. Security: customer always worries about their protection and security or accuracy. There is always question whether or not something took place. Other challenges: lack of knowledge from customers end, sit changes by the banks,etc.

C. E-BANKING GLOBAL PERSPECTIVE

The advent of Internet has initiated an electronic revolution in the global banking sector. The dynamic and flexible nature of this communication channel as well as its ubiquitous reach has helped in leveraging a variety of banking activities. New banking intermediaries offering entirely new types of banking services have emerged as a result of innovative e-business models. The Internet has emerged as one of the major distribution channels of banking products and services, for the banks in US and in the European countries. Initially, banks promoted their core capabilities i.e., products, services and advice through Internet. Then, they entered the e-commerce market as providers/distributors of their own products and services. More recently, due to advances in Internet security and the advent of relevant protocols, banks have discovered that they can play their primary role as financial intermediate's and facilitators of complete commercial transactions via electronic networks especially through the Internet. Some banks have chosen a route of establishing a direct web presence while others have opted for either being an owner of financial services centric electronic marketplace or being participants of a non-financial services centric electronic market place. The trend towards electronic delivery of banking products and services is occurring

partly as a result of consumer demand and partly because of the increasing competitive environment in the global banking industry. The Internet has changed the customers' behaviors who are demanding more customized products/services at a lower price. Moreover, new competition from pure online banks has put the profitability of even established brick and mortar banks under pressure. However, very few banks have been successful in developing effective strategies for fully exploiting the opportunities offered by the Internet. For traditional banks to define what niche markets to serve and decide what products/services to offer there is a need for a clear and concise Internet commerce strategy. Banking transactions had already started taking place through the Internet way backing 1995. The Internet promised an ideal platform for commercial exchange, help in banks to achieve new levels of efficiency in financial transactions by strengthening customer relationship, promoting price discovery and spend aggregation and increasing the reach. Electronic finance offered considerable opportunities for banks to expand their client base and rationalize their business while the customers received value in the form of savings in time and money.

D. CHALLENGES OF THE "E-BANKING REVOLUTION"

Electronic banking is the wave of the future. It provides enormous benefits to consumers in terms of the ease and cost of transactions. But it also poses new

NEW CHALLENGES FOR REGULATORS

This changing financial landscape brings with it new challenges for bank management and regulatory and supervisory authorities. The major ones stem from increased cross-border transactions resulting from drastically lower transaction costs and the greater ease of banking activities, and from the reliance on technology to provide banking services with the necessary security.

Regulatory Risk:

Because the Internet allows services to be provided from any wherein the world, there is a danger that banks will try to avoid regulation and supervision. What can regulators do? They can require even banks that provide their services from remote location through the Internet to be licensed. Licensing would be particularly appropriate where supervision is weak and cooperation between a virtual bank and the home supervisors is not adequate. Licensing is the norm, for example, in the United States and most of the countries of the European Union. A virtual bank licensed outside these jurisdictions that wishes to offer electronic banking services and take deposits in these countries must first establish a licensed branch. Determining when a bank's electronic services trigger the need for a license can be difficult, but indicators showing where banking services originate and where they are provided can help. For example, a virtual bank licensed in country X is not seen as taking deposits in country Y if customers make their deposits by posting checks to an address in country X. If a customer makes a deposit at an automatic teller machine in country Y, however, that transaction would most likely be considered deposit taking in country Y. Regulators need to establish guidelines to clarify the gray areas between these two cases.

Legal Risk: Electronic banking carries heightened legal risks for banks. Banks can potentially expand the geographical scope of their services faster through electronic banking than through traditional banks. In some cases, however, they might not be fully versed in a jurisdiction's local laws and regulations before they begin to offer services there, either with a license or without a license if one is not required. When license is not required, a virtual bank—lacking contact with its host country supervisor—may find it even more difficult to stay abreast of regulatory changes. As a consequence, virtual banks could unknowingly violate customer protection laws, including on data collection and privacy, and regulations on soliciting. In doing so, they expose themselves to losses through lawsuits or crimes that are not prosecuted because of jurisdictional disputes.

Conclusion

From all of this, we have learnt that information technology has empowered customers and businesses with information needed to make better investment decisions. At the same time, technology is allowing banks to offer new products, operate more efficiently, raise productivity, expand

geographically and compete globally. A more efficient, productive banking industry is providing services of greater quality and value .E-banking has become a necessary survival weapon and is fundamentally changing the banking industry worldwide. Today, the click of the mouse offers customers banking services at a much lower cost and also empowers them with unprecedented freedom in choosing vendors for their financial service needs. No country today has choice whether to implement E-banking or not given the global and competitive nature of the economy. The invasion of banking by technology has created an information age and commoditization of banking services. Banks have come to realize that survival in the new e-economy depends on delivering some or all of their banking services on the Internet while continuing to support their traditional infrastructure. The rise of E-banking is redefining business relationships and the most successful banks will be those that can truly strengthen their relationship with their customers. Without any doubt, the international scope of E-banking provides new growth perspectives and Internet business is a catalyst for new technologies and new business processes. With rapid advances in telecommunication systems and digital technology-banking has become a strategic weapon for banks to remain profitable. It has been transformed beyond what anyone could have foreseen 25 years ago.

In a country like India, there is need for providing better and customized services to the customers. Banks must be concerned about the attitudes of customers with regard to acceptance of online banking. The importance of security and privacy for the acceptance of internet banking has been noted in many earlier studies and it was found that people have weak understanding of internet banking, although they are aware about risk. The present study shows that customers are more reluctant to join new technologies or methods that might contain little risk. Hence, banks should design the website to address security and trust issues. The recommendations to the banks are that they have to increase the level of trust between banks' website and customers. In order to achieve this, the following strategies should be applied by banks.

Banks should ensure that online banking is safe and secure for financial transaction like traditional banking.

Banks should organize seminar and conference to educate the customer regarding uses of online banking as well as security and privacy of their accounts.

Some customers are hindered by lack of computer skills. They need to be educated on basic skills required to conduct online banking.

Banks must emphasize the convenience that online banking can provide to people, such as avoiding long queue, in order to motivate them to use it.

Banks must emphasize the cost saving that online can provide to the people, such as reduce transaction cost by use of online banking.

References

- [1] Obaid, Magda (2007). E-BANKING. Amman, Dar Safa to post.
- [2] Rousan, Farouk (2003). Introduction to the E-BANKING, Oman, House thought of printing and publishing.
- [3] Akinci, S., Aksoy, S. and Atilgan, E. (2004) 'Adoption of Internet Banking among Sophisticated Consumer Segments in an Advanced Developing Country,' *International Journal of Bank Marketing*, 22, 212-232.
- [4] Benjamin, R.I., Malone, T.W. and Yates, J. (1987) 'Electronic Markets and Electronic Hierarchies,' *Communications of the ACM*, 41, 73-80.
- [5] Bingi, P., Sharma, M. and Godla, J. (1999) Critical Issues Affecting an ERP Implementation, *Information Systems Management*, Summer, 7-14.
- [6] Dearden, J. (1972) MIS is a mirage, *Harvard Business Review*, Jan/Feb, Vol. 50 Issue 1, p90
- [7] Esteves, J. and Pastor, J. (2001) Enterprise Resource Planning Systems Research: an Annotated Bibliography, *Communications of AIS*, Vol. 7, No. 8, August
- [8] Gorry, G. and Scott Morton, M. (1971) A Framework for Management Information Systems, *Sloan Management Review*, Fall, pp 55-70
- [9] Gorry, G. (1971) The Development of Managerial Models, *Sloan Management Review*, Winter, pp 1-16 Holland, CP, Light, B and Gibson, N, 1999, A Critical Success Factors Model for Enterprise Resource Planning Implementation, *Proceedings of the 7th European Conference on Information Systems*, Copenhagen Business School, pp 273-287.

About Author (s):



Banks must be concerned about the attitudes of customers with regard to acceptance of online