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e-Banking in India - Challenges and Opportunities.

V. M. Chavan[1] and **A. T. Gaikwad**[2]
[1,2] BVDU Institute of Management, Kolhapur, India.
[2]anil_gaikwad198@yahoo.co.in

ABSTRACT
E-banking in India is an important and crucial service provided by leading banks in India. E-Banking is delivery of banking services and products through electronic channels like Internet, mobile and telephone services. It directly affects the speed of delivery of banking services, efficiency and convenience to the customers of the bank. The Government of India has taken a leading step by developing E-Banking facilities and RBI promotes use of E-Banking services due to convenience and saving the banking operation cost. The IT Act 2000 passed by Government of India provides security measures and identity to financial transactions and reports generated through IT facilities. The Paper is an attempt to find out challenges and opportunities for E-Banking Services in India. The safeguarding the assets of the country in terms of cash, gold, lockers requires use of advanced technology in banking services which will reduce the financial risk faced by customer and bank as well. The paper covers the issues of banks and opportunities and services provided through E-Banking services.

KEYWORDS
E-Banking, Challenges, Opportunities, ATM, E-Banking Services.

1. INTRODUCTION

E-banking means any user with a personal computer and a browser can get connected to his bank through website of the bank through which customer can perform any of the virtual banking functions. In E-banking system the bank has a centralized database that is web-enabled. All the services that the bank has permitted on the Internet are displayed in menu. Any service can be selected and further interaction is dictated by the nature of service. The traditional branch model of bank is now giving place to an alternative delivery channels with ATM network. Once the branch offices of bank are interconnected through terrestrial or satellite links, there would be no physical identity for any branch. It would a borderless entity permitting anytime, Anywhere and anyhow banking. The network which connects the various locations and gives connectivity to the central office within the organization is called intranet. These networks are limited to organizations for which they are set up. SWIFT is a live example of intranet application.[1]

2. E-BANKING IN INDIA

The Reserve Bank of India constituted a working group on Internet Banking. The group divided the internet banking products in India into 3 types based on the levels of access Granted. [3] They are:

- **Information Only System:** General purpose information like interest rates, branch location, bank products and their features, loan and deposit calculations are provided in the banks website. There exist facilities for downloading various types of application forms. The communication is normally done through e-mail. There is no interaction between the customer and bank's application system. No identification of the customer is done. In this system, there is no possibility of any unauthorized person getting into production systems of the bank through internet.
- **Electronic Information Transfer System:** The system provides customer- specific information in the form of account balances, transaction details, and statement of accounts. The information is still largely of the 'read only' format. Identification and authentication of the customer is through password. The information is fetched from the bank's application system either in batch mode or off-line. The application systems cannot directly access through the internet.
- **Fully Electronic Transactional System:** This system allows bi-directional capabilities. Transactions can be submitted by the customer for online update. This system requires high degree of security and control. In this environment, web server and application systems are linked over secure infrastructure. It comprises technology covering computerization, networking and security, inter-bank payment gateway and legal infrastructure.
- **Automated Teller Machine (ATM):** ATM is very convenient and feasible facility to withdraw the cash in emergency at any time of the day presently all the banks have started installing the ATM machines for the use of bank customers. It is operated by plastic card with its special features either through Credit card or debit card. The plastic card is replacing cheque, personal attendance of the customer, banking hours restrictions and paper based verification. There are debit cards. ATMs used as spring board for Electronic Fund Transfer. ATM itself can provide

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information about customers account and also receive instructions from customers - ATM cardholders. An ATM is an Electronic Fund Transfer terminal capable of handling cash deposits, transfer between accounts, balance enquiries, cash withdrawals and pay bills. It may be on-line or off-line. The on-line ATM enables the customer to avail banking facilities from anywhere. In off-line the facilities are confined to that particular ATM assigned. Any customer possessing ATM card issued by the Shared Payment Network System can go to any ATM linked to Shared Payment Networks and perform his transactions. [2]

- **Credit Cards / Debit Cards:** In the present banking system most popular cards provided by the leading banks are credit and debit cards with credit limit as per the customers financial capacity. The Credit Card holder is empowered to spend wherever and whenever he wants with his Credit Card within the limits fixed by his bank. Credit Card is a post paid card. Debit Card, on the other hand, is a prepaid card with some stored value. Every time a person uses this card, the Internet Banking house gets money transferred to its account from the bank of the buyer. The buyers account is debited with the exact amount of purchases. An individual has to open an account with the issuing bank which gives debit card with a Personal Identification Number (PIN). When he makes a purchase, he enters his PIN on shops PIN pad. When the card is slurped through the electronic terminal, it dials the acquiring bank system - either Master Card or VISA that validates the PIN and finds out from the issuing bank whether to accept or decline the transactions. The customer can never overspend because the system rejects any transaction which exceeds the balance in his account. The bank never faces a default because the amount spent is debited immediately from the customers account.[1]
- **Smart Card:** The leading Banks are also adding chips to their current magnetic stripe cards to enhance security and offer new service, called Smart Cards. Smart Cards allow thousands of times of information storable on magnetic stripe cards. In addition, these cards are highly secure, more reliable and perform multiple functions. They hold a large amount of personal information, from medical and health history to personal banking and personal preferences.

3. SERVICES THROUGH E-BANKING

The following services are carried out through E-Banking:

- **Bill Payment Service:** You can facilitate payment of electricity and telephone bills, mobile phone, credit card and insurance premium bills as each bank has tie-ups with various utility companies, service providers and insurance companies, across the country. To pay your bills, all you need to do is complete a simple one-time registration for each biller. You can also set up standing instructions online to pay your recurring bills, automatically. Generally, the bank does not charge customers for online bill payment.

- **Fund Transfer:** You can transfer any amount from one account to another of the same or any another bank. Customers can send money anywhere in India. Once you login to your account, you need to mention the payees's account number, his bank and the branch. The transfer will take place in a day or so, whereas in a traditional method, it takes about three working days. ICICI Bank says that online bill payment service and fund transfer facility have been their most popular online services.

- **Credit Card Customers:** With Internet banking, customers can not only pay their credit card bills online but also get a loan on their cards. If you lose your credit card, you can report lost card online.

- **Railway Pass:** This is something that would interest all the aam janta. Indian Railways has tied up with ICICI bank and you can now make your railway pass for local trains online. The pass will be delivered to you at your doorstep. But the facility is limited to Mumbai, Thane, Nashik, Surat and Pune.

- **Investing through Internet banking**: You can now open an FD online through funds transfer. Now investors with interlinked Demat account and bank account can easily trade in the stock market and the amount will be automatically debited from their respective bank accounts and the shares will be credited in their Demat account. Moreover, some banks even give you the facility to purchase mutual funds directly from the online banking system. Nowadays, most leading banks offer both online banking and Demat account. However if you have your Demat account with independent share brokers, then you need to sign a special form, which will link your two accounts. [2][4]

- **Recharging your prepaid phone**: Now just top-up your prepaid mobile cards by logging in to Internet banking. By just selecting your operator's name, entering your mobile number and the amount for recharge, your phone is again back in action within few minutes.

- **Shopping:** With a range of all kind of products, you can shop online and the payment is also made conveniently through your account. You can also buy railway and air tickets through Internet banking.

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Retail Services	Wholesale Services
Account management	Account management
Bill payment and presentment	Cash management
New account opening	Small business loan applications, approvals, or advances
Consumer wire transfers	Commercial wire transfers
Investment/Brokerage services	Business-to-business payments
Loan application and approval	Employee benefits/pension administration
Account aggregation	

Table 1: Common E-Banking Services

4. SECURITY PRECAUTIONS

Customers should never share personal information like PIN numbers, passwords etc with anyone, including employees of the bank. It is important that documents that contain confidential information are safeguarded. PIN or password mailers should not be stored, the PIN and/or passwords should be changed immediately and memorized before destroying the mailers.

Customers are advised not to provide sensitive account-related information over unsecured e-mails or over the phone. Take simple precautions like changing the ATM PIN and online login and transaction passwords on a regular basis. Also ensure that the logged in session is properly signed out [5]

5. CHALLENGES

The E-Banking in India has following challenges:

1) Infrastructure Facility in the Banks
2) Reliable and uninterrupted power supply
3) Awareness of Banking Literacy among the common man
4) Bandwidth and maintenance of the existing installed system.
5) Faith in technology by depositors and loan holders due to complexity in use.
6) Attitude of bank employees.
7) E-Banking security and protection measures.

6. OPPORTUNITIES

Following are the opportunities of using E-Banking facility in the developing country like India. Though there are challenges as listed above but they can be overcome by systematic planning, banking operations at front end operations and back office operations:

1. The cost of performing the banking operations through e-Banking is considerably low and efficient transactions related to money transfer.
2. E-banking will facilitate the employees to perform different banking task and free them from the withdrawals and deposit procedures in the bank.
3. Global presence due to the e-banking facility of Indian businessman and bank customers.
4. Strict control over financial transactions which will avoid frauds in the bank.
5. Due to rapid growth in internet users and e-Business applications the e-Banking will play a major role by providing financial transactions in minimum time and with reliability.
6. It is the requirement of the present generation to provide fast access to bank data.
7. Opportunities to IT professionals in managing e-banking facility. [6]

7. CONCLUSION

E-Banking and its services will be the trend of banking industry in India. Due to information explosion and IT industry in India the implementation of e-banking services will see a growth trend in the coming future. The customers of the bank will force the banking industry by demanding timely, accurate, reliable and fast access to banking transactions. Due to core bank facility installed by maximum leading banks in India and there is a good opportunity to upgrade and provide e-banking facility to the customers of the bank.

8. FUTURE SCOPE

It is the beginning of banking operations through electronic media and there is a wide scope related with providing service, maintaining the existing systems, managing the databases through various softwares and operating systems. The young generation can play major role by providing e-banking facilities and make the country reliable, secure and discipline financial transactions performed over electronic media.

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