THINK INDIA (Quarterly Journal)

ISSN:0971-1260
Vol-22-Issue-4-October-December-2019

E – Banking in Commercial Business Scenario

Karri Sreekanth Reddy
MBA, Department of Management Studies
Bharath Institute of Science and Technology,
Selaiyur, Chennai, Tamil Nadu 600 073
Bharath Institute of Higher Education and Research

ABSTRACT

E-banking is still nascent, although it is fast becoming a strategic necessity for most commercial banks, as completion increase from private banks and non-banking financial institutions. Despite the global economic challenges facing the IT software and service sector, the outlook for the Indian industry remains outlook optimistic. To promote e-banking services and attract new customers banks can undertake promotional measures by way of print media followed by internet, sms on mobile, outdoor advertisement and television This objective is arrived by increasing operational efficiency so that those losses are minimized that are caused by delays in catering to customer orders. Further, a favourable reputation of firm's logistical capacities may helps generate additional orders.

1. INTRODUCTION

The last decade has seen many positive developments in the Indian banking sector. The policy makers, which comprise the reserve bank of India (RBI) ministry of Finance and related Government and financial sector regulatory entities, have made several notable efforts to improve regulation in the sector. the technological innovation witnessed by the way business needs to be conducted the service sector now compares favorably with banking sectors in the regions on metrics like growth, profitability and non – per forming assets (NPAS). The banking industry growth very slow and banks also experience periodic failures between 1913 on 1948. After the nationalization it had been improved by some other experts committee in RBI. The Rangarajan committee had submitted their report on mechanization and computerization of banking industry in 1983 and again the committee had submitted their reports on 1988 and the report drew up a detailed perspective plan for computerization of banks and for extension automation to other areas like funds transfer, electronic mail, BANKNET, SWIFT, ATMs etc.

2. E-BANKING

E-Banking refers to electronic banking. It is like e-business in banking industry. It is also called virtual banking or online banking. It is a result of growing expectations of banks customers.e-banking involves information technology based banking. Under this IT system banking services are delivered by way of computer controlled system. Banks launched e-banking services and take efforts to attract customer towards e-banking services like ATM, Net-banking, mobile banking. The following services covered under e-banking

ISSN:0971-1260
Vol-22-Issue-4-October-December-2019

- Automated Teller Machines
- Credit cards
- Debit cards
- Electronic Fund Transfer (EFT)system
- Mobile banking
- Internet banking
- Tele banking

EMERGENCE OF E-BANKING

The introduction of internet has initiated an electronic revolution all over the world. The active and flexible nature of this communication channel as well as its ubiquitous channel as well as its ubiquitous reach has helped in leveraging a variety of business activities. The most prominent applications of internet and information Technology have been in banking and financial sector.

Though banking transactions on the net are not a new phenomenon, they are in existence since 1995. Internet predominately was considered helpful in increasing efficiency related to operations for core products and services of banks but with development of sophisticated and advanced software technology, Internet is also providing banks an opportunity to provide value added services. Banks are now identifying new roles as financial intermediaries and facilitators are only online banks and only online transaction because of the ease and efficiency of online transactions.

3. E- BANKING TRANSACTIONS

PHASE ONE

Customers were required to come to the bank to do the banking transactions like transfer, deposits and withdrawals of money during banking hours. To facilitate these banking transactions, banks had to employ several tellers.

PHASE TWO

With the introduction of automatic teller machine, customers can do their banking transactions anytime. This helped the banks in bringing down the cost per transaction.

PHASE THREE

Application of information technology opened up a new venue for the customers. Now the customers can do their banking transactions sitting in their office or house. They need not go to the banking branch or ATM centre to do the banking transactions.

PHASE FOUR

Rapid evolution of Internet protocols such as WAP made it possible for the banks to provide m-banking facilities to the customers. Now the customers can do their banking transactions from anywhere and anytime using their mobiles or PDAs. The popularity of m-banking transactions will increase in future because of the low ownership cost of mobiles. The cost of the average payment transaction on the Internet is very less. As a result, the use of the Internet for commercial

ISSN:0971-1260
Vol-22-Issue-4-October-December-2019

transactions started to gain momentum in 1995. The growth of online lending solutions is making the banks more cost – efficiency.

4. E-BANKING FEATURES AND BENEFITS

EASY TO USE
Looks like your paper cheque book, so you will feel comfortable right away(Core feature).
Balance your account more easily.

CONVENIENT
Download up-to-date information on balances and transactions for checking savings, money market, line of credit, investment and credit card accounts.
Carry out your banking tasks during the day or night, from home or office.
Transfer funds between accounts within the same bank.

SAVES TIME
No more writing cheques, addressing envelopes and licking stamps.
No more trips to the bank.

OTHERS
Save money - avoid overdrafts; maximize interest, no more stamps, no more late fees
No data entry –paying bills and recording checks happen simultaneously.

THREATS IN E-BANKING

Internet banking does not open up new risk categories, but rather accentuates the risks that any financial institution faces. The board and senior management must be cognizant of these risks and deal with them appropriately. These risks are:

STRATEGIC RISK

It arises from adverse business decisions or improper implementations of business decisions. Many senior managers do not fully understand the strategic and technical aspects of Internet banking.

TRANSACTION RISK

It arises from fraud, error, negligence and the inability to maintain expected service levels. A high level of transactions risk may exist with Internet banking products, because of the need to have sophisticated availability. There is also a need to ensure data integrity and non repudiation of transactions.

COMPLIANCE RISK

It happens from non conformance with laws, regulations and ethical standards. Compliance risk may lead to diminished reputation, actual monetary losses and reduced business opportunities. Banks need to carefully understand and interpret existing laws as they apply to Internet banking and ensure consistency with other channels such as branch banking.

ISSN:0971-1260
Vol-22-Issue-4-October-December-2019

REPUTATION RISK

It occurs from negative public opinion. A bank's reputation can be damaged by Internet banking services that are poorly executed(e.g., limited availability, buggy software, poor response). Customers are less forgiving of any problems and thus there are more stringent performance expectations from the Internal channel.

INFORMATION SECURITY RISK

It comes out of lax information security processes, thus exposing the institution to malicious hacker or insider attacks, viruses, denial-of-service attacks, data theft, data destruction and fraud. The speed of change of technology and the fact that the Internet channel is accessible universally makes this risk especially critical.

CREDIT RISK

It's from a customer's failure to meet his financial obligations. Internet banking enables customers to apply for credit from anywhere in the world. Banks will find it extremely difficult to verify the identity of the customers, if they intend to offer instant credit through the Internet.

CHALLENGES FACING BANKING INDUSTRY IN INDIA

The future of any organization hinges on the efficiency and effectiveness of its man management policies. A transparent management with a high degree of corporate governance can alone motivate the workforce to keep performing at the highest levels of efficiency over a long period. The banking industry in India is undergoing a major transformation due to changes in economic conditions and continuous deregulation.

These multiple changes happening one after other has a ripple effect on a bank trying to graduate from completely regulated from completely regulated seller market to completed deregulated customers market.

Deregulation: This continuous deregulation has made the banking market extremely competitive with greater autonomy, operational flexibility and decontrolled interest rate and liberalized norms for foreign exchange.

New rules: As a result, the market place has been redefined with new rules of the game. Banks are transforming to universal banking, adding new channels with lucrative pricing and freebees to offer. Natural fall out of this has led to a series of innovative product offerings catering to various customer segments, specifically retail credit.

Efficiency: This in turn has made it necessary to look for efficiencies in the business. Banks need to access low cost funds and simultaneously improve the efficiency. The banks are facing pricing pressure, squeeze on spread and have to give thrust on retail assets.

Diffused customer loyalty: This will definitely impact customer preferences, as they are bound to react to the value added offerings. Customers have become demanding and the loyalties are diffused. There are multiple choices, the wallet share is reduced per bank with demand on

ISSN:0971-1260
Vol-22-Issue-4-October-December-2019

flexibility and customization. Given the relatively low switching costs; customer retention calls for customized service and hassle free, flawless service delivery.

Misaligned mindset: These changes are creating challenges, as employees are made to adapt to changing conditions. There is resistance to change from employees and the seller market mindset is yet to be changed coupled with fear of uncertainty and control orientation. Acceptance of technology is slowly creeping in but the utilization is not maximized.

STRATEGIC OPTIONS WITH BANKS TO COPE WITH THE CHALLENGES

The banks need to develop robust internal control systems, management information system, and early warning triggers. Four trends are fundamentally altering the banking industry: consolidation, globalization of operations, development of new technologies, and universalization of banking. Leading players in the industry have embarked on a series of strategic and tactical initiatives to sustain leadership. The major initiatives include:

- Investing in state of the art technology as the back bone to ensure reliable service delivery
- Leveraging the branch network and sales structure to mobilize low cost current and savings deposits
- Making aggressive forays in the retail advances forays in the retail advances segment of home and personal loans
- Implementing organization wide initiatives involving people, process and technology to reduce the fixed costs and cost per transaction

NEED TO CREATE A MARKET-DRIVEN BANKING SECTOR WITH ADEQUATE FOCUS ON SOCIAL DEVELOPMENT

The term “policy makers”, refers to the ministry of Finance and the RBI and includes the other relevant government and regulatory entities for the banking sector. A coordinated effort between the various entities is required to enable positive action. This will spur on the performance of the sector. Therefore, the policy makers need to make coordinated efforts on six fronts:

Help shape a superior industry structure in a phased manner through “managed consolidation” and by enabling capital availability. This would create 3-4 global sized banks controlling 35-45 per cent of the market in India; 6-8 national banks controlling 20-25 per cent of the market; 4-6 foreign banks with 15-20 per cent share in the market, and the rest being specialist players(geographical or product/ segment focused).

Focus strongly on “social development” by moving away from universal directed norms to an explicit incentive-driven framework by introducing credit guarantees and market subsidies to encourage leading public sector, private and foreign players to leverage technology to innovate and profit ably provide banking services to lower income and rural markets.

Create a unified regulator, distinct from the central bank of the country, in a phased manner to overcome supervisory difficulties and reduce compliance costs.

Improve corporate governance primarily by increasing board independence and accountability.

ISSN:0971-1260
Vol-22-Issue-4-October-December-2019

Accelerate the creation of world class supporting infrastructure (e.g., payments, asset reconstruction companies (ARCS), credit bureaus, back-office utilities) to help the banking sector focus on core activities.

BUSINESS CHANNEL

E-banking links business to customers no matter their geographical location. It allows companies to make new business contracts from different global business alliances, test new products and services, and make market research and other enquiries all at a minimal cost both financial and otherwise.

A Cornerstone of mobile commerce is built by mobile banking, the a ailment of bank-related financial services via mobile devices.

INCREASE SALES VOLUME

One of the primary tasks of a distribution channel is to increase the volume prices. This objective is arrived by increasing operational efficiency so that those losses are minimized that are caused by delays in catering to customer orders. Further, a favourable reputation of firm's logistical capacities may helps generate additional orders. Mobile banking can contribute to achieve this goal by following means.

- Anytime, anywhere access to banking services
- Availability of push services to suggest transitions on an urgent basis, e.g to sell certain stocks when a crisis erupts
- Fact- to face talks with the personal consultant via video telephony
- At present e-banking eliminate the need for costly call centres and customer service help desks by going mobile.

Using a mobile plotform such as sms text messaging for simple and repetitive tasks such as remainders about payments due to balance requests can reduces the burden on IT and personnel resources. Use premium – rated sms to charge for banking transactions and create an additional revenue stream for banks.

5. E-BANKING SCENARIO

The banking is expected to be a leading player in E- business. While the banks in developed countries are working primarily via internet as non-branch, banks in the developing countries use the internet as an information delivery tool to improve relationship with customers. India is still in the early stages in technology and life style in the last five years have changed the face of banking. The imfact of e-banking in India is yet apparent many global research companies believe the e-banking future would be slow compared to other major Asian countries. E-banking is still nascent, although it is fast becoming a strategic necessity for most commercial banks, as completion increase from private banks and non-banking financial institutions. Despite the global economic challenges facing the IT software and service sector, the outlook for the Indian industry remains outlook optimistic.

The RBI has set up a "working group on e-banking to examine different asfacts of e-banking. The group focused on three major aspects of e-banking. i.e 1)Technology and security issues 2)legal

ISSN:0971-1260
Vol-22-Issue-4-October-December-2019

issues and 3) Regulatory and supervisory issues. RBI has accepted guidelines of the group and they provide a good insight into the security requirements of e-banking.

6. SUGGESTIONS BANKING EXECUTIVE

To improve e-banking services. Then following one the important suggestion for using E-banking as safely and user friendly

Banks are required to provide sufficient guidance to customers using e-banking services and ensure complete security and privacy.
Conduct workshops, seminars about E-banking
May provide Separate Security code for all E-banking user
To promote e-banking services and attract new customers banks can undertake promotional measures by way of print media followed by internet, sms on mobile, outdoor advertisement and television

7. CONCLUSION

Banks are one of the most important service organisations which provide variety of financial services to common people. That is the main reason for which banks has adopted e-banking facilities. Even though e-banking offers a lot of benefits to people, it is facing some challenges. Banks must control procedures need to keep pace with rapid changes in technology.

8. REFERENCES

[1] C.R.Kothari, GauravGarg(2013)"Research methodology methods and Techniques", New Age international publishers, New Delhi.
[2] Vasy Deva, E-Banking, common wealth publishers, New Delhi,2005
[3] Natarajan. S and Parameshvaran R. Indian Banking, chand and company Ltd. New Delhi 2009
[4] Dr. Himani Sharma(2011)"Banker's perspectives on E-Banking"NJRIM, vol.1 June 2011 p.p 71-85
[5] www.ijtra.com volume 2, Issue 2 (March-April 2014) pp- 64-68
[6] Finance and development, September 2011,volume 45, November 3
[7] www.bankingtechnology.com