

A STUDY ON GROWTH OF E-BANKING

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Abstract :

Introduction:

While electronic banking in the form of automatic teller machines and telephone banking have been around for a number of years, the popularity of accessing banking services, through the Internet and mobile phones is rising. Increasingly, E-banking provides a vast opportunity for banks and their customers. The electronic delivery channels increase transparency and can lead to higher connection among banks and a most significant point through lower costs. The digitalization of transactions can help to reduce costs for banks and increase efficiency.

Internet technology holds the potential to fundamental changes banks and the banking industry. Banking through internet has emerged as a strategic resource for achieving higher efficiency more recently, now in India too, a wide array of financial product and services have become available over the Internet which has thus, become an important distributions channels for a number for banks. The purpose of present study is to analyze such effect of internet banking in India.

Internet banking is one of the technique which are getting recognition around the world.

There are lot of people via customer who are accepting this technology very quickly. The technology

Innovations are having significant importance in human general and profession too.

Keywords: e-banking, new technology, digitalization.

1.1 INTRODUCTION :

Banks are traditionally been in the forefront their products, services and efficiency. Banks are using electronic and tele-communication network for delivering a wide range of value added products and services. The delivery channels include direct dial-up connections, private network, public network .Internet is a vast network of individual computers

and computer network to communicate

With each other using the same communication protocol . The technological development has made access to internet both cheaper and faster .

Internet banking both is a medium of delivery of banking services and as a strategic

Tool for business as well as society development .

1.2 Computerization in Banks:

It was in 50s that the government of India evolved the policy of using the banking system as an instrument of economic development and social change. There was a change in banking scenario in India in 1969. 14 major banks were nationalized and there was a subsequent explosion of banks region wise and service wise.

Major significant development was in 1975, when the working group of customer's service headed by T. R. Vardachay suggested introduction of modern technology in specific banking areas to improve the customer's services.

The financial reforms that were initiated in the early 90s and the globalization and liberalization measures brought in a completely new operating environment to the banks that till the operating in highly protected milieu. The services and product like Any Where Banking, Tele-banking, Internet banking, web-banking, E-banking, e-commerce, e-business etc. have become the buzzwords of the day and the banks are trying to cope with the competition by offering innovative and attractively packaged technological based services to their customers.

1.3 E-banking Era in India:

The internet came to India in the year 1985 with the introduction of ERNET [Educational and Research Network] which was project of the department of Electronics. Initially it linked on IITS, but slowly some research organizations and Educational institutions were also included in the list. Government of India permitted ISP [Internet Service Provider] business

to private companies as well in the year 1998. Internet has already become a mass media and crossed the limit of 50 million users.

The E-banking is changing the banking industry and is having a major effect on banking relationships. E-banking involves the use of electronic devices for delivery of banking products and services. The internet banking is one of electronic media of providing services to their customers.

A successful e-banking solution offers the following e-banking products and services:

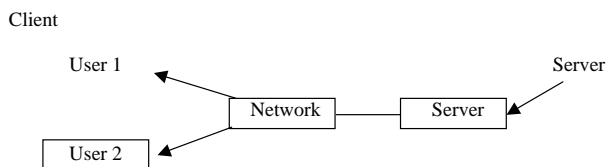
1. ATM [Automated Teller Machines]
2. Cards – Credit Card/Debit Cards/Smart Card
3. Mobile banking
4. Phone banking
5. Internet/Online banking.
6. Electronic fund system.
7. Electronic clearing services.
8. D-mat account
9. Core banking
10. Electronic or digital signature

1.6 Application of E-banking in business:

The client and server machines are connected by a network, show in fig. 1

Figure 1

The client and server machines are connected by a network, show in fig. 1



In this process two models are involved, one on the client machine and one on the server machine communication takes place sending a message over the network to the server process.

1.7 The Growth of Internet banking of common products:

Internet Banking (Fig. 1) is a product of e-commerce in the field of banking and financial services. In what can be described as B2C domain for banking industry, Internet Banking offers different online services like balance enquiry, requests for cheque books, recording stop-payment instructions, balance transfer instructions, account opening and other forms of traditional banking services. Mostly, these are traditional services offered through Internet as a new delivery channel. Banks are also offering payment services on behalf of their customers who shop in different e-shops, e-malls etc. Further, different banks have different levels of such services offered, starting

from level-1 where only information is disseminated through Internet to level-3 where online transactions are put through. These aspects have been dealt with in brief in the introductory chapter and again detailed products and services are discussed in chapters 3 and 4. Hence, in the following paragraphs I-banking concerns in B2B domain are discussed.

Considering the volume of business e-commerce, particularly in B2B domain, has been generating, it is natural that banking would position itself in an intermediary role in settling the transactions and offering other trade related services. This is true both in respect of B2C and B2B domains. Besides, the traditional role of financial intermediary and settlement agents, banks have also exploited new opportunities offered by Internet in the fields of integrated service providers, payment gateway services, etc. However, the process is evolving and banks are repositioning themselves based on new emerging e-commerce business models.

In B2B scenario, a new form of e-commerce market place is emerging where various players in the production and distribution chain are positioning themselves and are achieving a kind of integration in business information flow and processing (STP or near STP) leading to efficiencies in the entire supply chain and across industries. Banks are positioning themselves in such a market in order to be a part of the financial settlements arising out of transactions of this market and providing wholesale financial services. This needs integration of business information flow not only across the players in the supply chain, but with the banks as well.

With the integration of business information flow and higher degree of transparency, the banks and other financial services institutions have lost some of the information advantage they used to enjoy and factor in to pricing of their products. However, such institutions have the advantage of long standing relationships, goodwill and brand, which are important sources of assurance in a virtual market. Banks are in fact, converting this goodwill into a business component in e-commerce scenario in providing settlement and other financial services. Some banks have also moved to providing digital certificates for transactions through e-markets.

Banks' strategies in B2B market are responses to different business models emerging in e-commerce. A recent study by Arthur Andersen shows that banks and financial service institutions generally adopt one of three business models to respond to e-business challenges. In the first place, they treat it as an

extension of existing business without any significant changes other than procedural and what technology demands. The second strategy takes the same approach as the first but introduces structural changes to the underlying business. In the third approach banks launch e-business platform as a different business from the existing core business and as a different brand of product. There is no definite answer as to which approach is appropriate. Perhaps it depends on the type of market the bank is operating, its existing competencies and the legal and regulatory environment. It is, however, sure that e-banking is evolving beyond the traditional limits of banking and many new products/services are likely to emerge as e-commerce matures.

1.8 E-banking Scenario:

The banking industry being a leading player in e-business. While the banks in developing countries are working primarily via internet. Internet as an information delivery tool to improve relationship with customers.

Globally, the banking business has always been in the fore front of harnessing technology to improve its services and efficiency. Banks have been quick to adopt rapidly evolving electronic and telecommunication technologies to deliver an extensive line of value added products and services to their customers.

The personal computers, tele-banking and Automated Teller Machines [ATMs] became the common in most of developed nations. E-banking evolved in mid 1990s when internet and the world wide web began to catch on.

The products and services offered by the banks on the internet can be divided into three types:

1.9 Information Kiosk:

It includes providing information regarding various product and services offered by the banks to customers. The banks site receives and answers queries of customer through e-mails.

Basic internet Banking:

It includes enabling the customer to open new account, check account balance and pay utility bills.

E-commerce Banking :

Enables the customer to user their accounts for money transfer, bill payment, purchase sale.

COCLUSION :

The peculiarity of this industry is that it has to implement various social objectives

As well as commercial objectives.It is an istrument for development of the economy of the country.

The internet is one of the major distribution channel

of banking products and services. The e-banking Strtergies that banks implement to derive maximum value through the online channel.The use of Internet as an information delivery tool to improve rrelationship with customers.

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1.4 The adoption rates of internet banking are:

| Banks | No. of banks | No. of banks with websites | No. of banks with transaction sites |
|----------------------|--------------|----------------------------|-------------------------------------|
| Public sector banks | 27 | 27 | 13 (48.1%) |
| Private sector banks | 29 | 27 | 13 (44.8%) |
| New | 08 | 08 | 8 (100%) |
| Old | 21 | 19 | 5 (23.8%) |
| All Banks | 56 | 54 | 26 (46.4%) |

1.5 Classification of E-banking services

E-banking services

