

# E-BANKING: AN INTERNET APPLICATION IN BANKS TODAY

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## **ABSTARCT:**

Today it is possible to build a bank based on internet access the ease of internet access offers much greater mobility and customer's satisfaction. The innovations in information technology and communication had significantly transformed banking services relating to new product development, speed of transaction processing and reduction in transaction costs. It compels banks to offer a broad range of deposits, expand the geographical reach through new market penetration.

Information technology plays an important role in shaping the destiny of the nation and the advent of computers has brought about this changes. Since, 1980s, computer industry has made remarkable progress in India in industries and different fields. Particularly banks have been mostly improved by this internet technology to come at par with the world banks and prompt service to customers

**Keywords:** Technology, Customers, Internet.

## **Introduction**

Electronic Banking is one of the fastest developing trends in Indian banking and is poised to take the banking sector a notch higher. The usage of electronic banking was restricted to foreign banks and some foreign exchange banks only till 1991.

The usefulness of electronic banking being very popular and prompt service oriented, the customers accepted the same and nearly all public sector banks, and private sector banks started the computerized operations. These fast and drastic changes in banking made the customer use the services at his place of choice and at home too with a PC.

This also led to the expansion of business by banks, as the rural and non metro places too would be connected by banks due to electronic banking. This also resulted in opening of many big banks in small and rural places too.

New products are evolved by the banks, to attract the customers towards these alternative Delivery channels. There are also special campaigns which give a focused marketing trust to increase the customer base and usage of internet Banking.

Incentives and rewards points are also offered as a part of these strategies.

## **Objectives of the study:**

- 1) To Study the E-banking system with reference to customers.
- 2) To present the working of E-banking system.
- 3) To Study the transaction mechanism of E-banking

## **1) Customer and E-banking :**

The Internet is reshaping work, reshaping communities, reshaping governance, reshaping education, reshaping banking and reshaping lifestyles and institutions.

Any user with a PC and a browser can get connected to his bank's website to perform any of the virtual banking functions and avail himself of any of the bank services through Internet Banking. There is no human operator present in a remote location to respond to his needs such as in telephone banking, in a call centre. The bank has a centralized data base i.e. web enabled. All the services that the banking has permitted on the internet are displayed in a menu. Any service can be selected and further interaction is dictated by the nature of service.

Banking through internet has emerged as a strategic resource for achieving higher efficiency, control of operations and reduction of cost by replacing paper based and labour intensive methods with automated processes thus leading to higher productivity and profitability.

Customers of bank desire to have the information of management of bank accounts at his table, home, on his PC, mobile etc. Electronic banking is an umbrella term for the process by which a customer may perform banking transactions electronically without visiting a brick and mortar institution. This is one of the management tools of e-business. It provides efficiency for banks and businesses and convenience for individual customers. All banking functions can be carried out via the internet. Checking the status of accounts, transferal of funds between accounts, carrying out financial transactions, even using the account for online purchases with the help of e-

banking, one can overcome the drawbacks of manual systems, as computers are capable of storing, analyzing, consolidating, searching and presenting the data as per user's requirements with great speed and accuracy instantly. A large increase in volume of work in banks can be handled by the computerization. Thus, the automation of existing banking system can eliminate the voluminous paper work and improve operational efficiency. Almost everything that can be attended via traditional method can be transacted electronically for which different techniques are available at present for conducting e-banking. E-banking is widely used in many places across the world. Several major banks in India are either offering e-banking or on the way for it. They are providing 24\*7 banking (e-banking) services to their customers. Traditionally the relationship between bank and its customer has been on a one-to-one process. This process takes time to complete a single transaction and may result in frauds and mistakes. Modern banks cannot depend on one-to-one process as to the customer's demand advanced services. While computerization of banks tries to satisfy expectations of the customer fast, it also reduces frauds and mistakes.

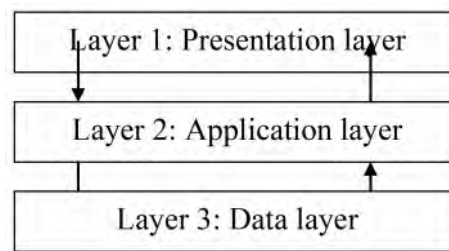
E-banking by internet provides for and facilitates the banks to enlarge their market without opening new branches.

Banks have to be creative in rethinking organizational structures and management process. Traditional Banks that are conservative in nature may find it difficult to attract and retain online talent. Moreover getting people in the traditional business to help build an e-enterprise would not be an easy task. To make all this happen, requires a major revision of incentive systems, planning and budgeting processes, and management roles, Banks can exploit the opportunities provided by the Internet if they demonstrate courage, use their imagination, and take a decisive action. Banks can go beyond their traditional role as a channel for banking/financial services and can become providers of personalized information.

## 2) E-banking architecture:

The financial institutions are starting to use internet for the interaction with the users. E-banking, machine and modes have been made almost tamper-proof, error proof and fraud proof through ample research inputs. But the frauder is also at the job to beat the technologies. The architecture of E-banking is developed in fully authentic manner, by which the confidentiality of data as well as of money can be maintained depicted in the following figure,

E-banking architecture



E-banking architecture  
(Source: RBI on Internet Banking)

### 1. Presentation Layer-

The front end devices are managed by this data layer such as browsers on, Personal Digital Assistants (PDA's), mobile phones, Internet Kiosks, Web TV, etc. This presentation layer takes care of user interface related elements like display details, color, layout image etc. It also has important responsibilities in user authentication and session management activity.

### 2. Application Layer-

This layer contains the business logic (for processing of data and transactions). It also contains a necessary interface to the data layer, receives and processes the information and Passes the result back to the presentation layer. This layer is responsible for ensuring that the entire business rule is incorporated in the software. The scalability, reliability and performance of the services depend upon the application layer architecture.

### 3. Data Layer-

A database package is used to store, retrieves and updates application data by the data layer. The database may be maintained on one or multiple servers. A data base package also supports back-up and recovery of data, as well as logging of all transactions.

### 3) Transaction Mechanism in E-Banking :

Customer's request for online banking information and transaction is passed on from Web server to the bank's e-banking server through the www interface. These requests always pass through security like firewall. This is very necessary to control the access by customers to bank's service.

Firewall is a commonly accepted network protection between corporate, private network and the outside world viz. customer for bank. Firewall lays a method of placing a computer or a router between the network and the Internet or any other external network to control and monitor traffic between the outside world and the local network. This device allows insiders to have full access to services on the

outside world while restricting access from the outside based on log-on name, password, ID address or other identifiers.

For online banking, banks store the customer information database on the bank's server which is protected by the firewalls. The customer's request for online banking firstly reaches the e-banking server; it passes the request to the bank server, which in turn passes it to the web server through the firewall. Then only the customer is able to access it.

#### **CONCLUSION:**

Banking is an important aspect of the society and Internet banking is the latest mantra in the Indian banking today. Use of internet in E-Banking has made banking very easy and convenient. Customers can access them any time anywhere and in the choice or way he desires. Not only with the same bank, but customer can transact with different banks also.

However, with all the facilities, and instant effect being made available by E-banking, there are some simple drawbacks too. The electricity failure, Internet failure can at the time of need make us wait for the

working through E-banking. Equally, the customer should also take the precaution of confirmation of such transactions. One should not keep himself idle and waiting for the effect of transaction. He should immediately follow with the receiver or receipt of the transaction and get the confirmation from them to satisfy himself that the transaction is properly completed.

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