

A Study on Applications and Implementation of E-Banking in India

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Abstract:-The development of Information Technology has been a big boon to banking industry. It has helped the banking industry in several ways, especially in improving its customer relations. Banking industry has undertaken various activities due to the introduction of electronic media in its operations. We will see it the coming paragraphs activities coming under e-Banking and the benefits derived by the banking industry from it.

E-Banking

E-Banking is nothing but electronics banking, wherein most of the operations of the bank are carried out through the electronic media. Even the traditional functions like accepting deposits and granting of loans are done through the electronic media.

Keywords: Technology, e-Banking, internet.

I. VARIOUS ACTIVITIES UNDER E-BANKING

- **Pass book entry:** As the pass book is the conclusive evidence of transactions between a banker and customer, it needs utmost perfection. With the introduction of electronic media, all the entries in the pass book are carried out by an electronic printer. For this purpose, banks have changes the account numbers of their customers and the size of pass book. Wherever, a customer transacts with the bank, his pass book entries will be updated which enable the customer to know his current balance as on date. Thus, the delay which was very frequently occurring in manual operations earlier has been overcome. E-Banking has also eliminated any arithmetic mistakes and has ensured accuracy. Most of the banks have an electronic printer connected to the computer which prints the entries in the pass book.
- **Simultaneous entry of transactions:** The foremost advantage of banking operations due to e-Banking is evident from the following – a single transaction of any customer is simultaneously reflected undertaken at different points. For example, when a cheque is presented, the entry in the ledger, pass book, cash book, master register and daily register is entered simultaneously. By this, the bank will be in a position to know the current position of its customer. Even the bank manager, sitting in his cabin, can know the current balance of any customer. This helps in phone-banking also wherein the customers can dial a particular number and through online computer, they can know their current balance position.
- **Home banking:** For the benefit of aged people and for persons living in far-off distances from the branch, home banking is a big advantage. The customer is given a code number which he can operate through his personal computer at home and it will activate his account in the bank. He can give instructions for transfer of money or for payment through his computer network, thus enabling him to conduct his banking operations by staying at home.
- **MICR cheques:** The modern banks use MICR cheque, called Magnetic Ink Characteristic Recognition. These cheques contain a white patch at the bottom in which you have various numbers given, representing name of the bank, branch and the cheque number. By decoding, the computer will be able to find out the name and the branch of the bank. When banks send cheques for clearance at the clearing house, various cheques are fed into the computer which decodes the MICR cheques and prepares a statement of every bank that has presented cheques for clearance. Thus, clearing activity is speeded up.
- **Zero system:** Under this system, when all the banks and branches are connected by a network, the transactions will take place in a much more speedy manner. Instead of taking cheques for clearance, they may be cleared through the network itself and the customers are given instantaneous credit for their other banks' cheques. This is possible only due to the network the banking industry enjoys because of the electronic media.
- **Identification of customer's signature:** In certain countries, it is not merely the specimen signature which is obtained but the index finger impression of the customers is also taken as part of specimen signature. So, even if there are two identical signatures, the banker can match

their index finger impressions to find out the genuineness of the cheque and thus avoid forgery.

- **Transfer of funds through Electronic Clearance System (ECS):** Banks help customers by providing mail transfer and telegraphic transfer by way of remittance. But these may lead to delay in receipt of funds at the receiving end. But, in e-Banking, we have electronic clearance system which is called ECS. The customer has to provide a cancelled specimen cheque to the bank along with his signature, which will be used by the bank for remittance of various purposes, such as telephone charges, insurance premium etc. The customer has to simply provide the telephone bills or insurance premium and the bank will undertake to remit the funds through the electronic clearance system by debiting the account of the customer. Of late, companies are sending their dividend warrants and debenture warrants to lakhs of shareholders through this system.
- **Interbank transfer, intercity transfer and International transfer:** All these are carried out by a new modern system called SWIFT, i.e., Society for the worldwide Interbank Financial Telecommunication. Under this system, funds can be transferred from any part of the world within 24 hours. The sender will give the code number of the institution through which the funds will be remitted to the receiver. This process is kept highly confidential. Hence there is safe remittance.
- **Demate account:** As the transactions in stock exchanges are carried out through on-line basis, and the stock exchanges are insisting on demateing of share, banks are acting as depository agents and have opened a demate account for their customers. Under this system, the customer will hand over to the bank the physical form of shares which is held by a shareholding corporation. The customer is given a personal identification number through which his transactions are carried out. His sale and purchases of shares are done by bank through demate account. This prevents bogus and benami transactions and also blank transfer of shares.
- **Debit card and credit card:** Most of the banks have provided for their customers debit card as well as a credit card. In debit card, the customer is debited with his transaction immediately and if there is a credit balance in his account, it will be adjusted towards the debit entry. Otherwise, the bank will charge interest for outstanding debit. In the case of credit cards, the transactions enjoy a minimum credit of one month after which the customer has to pay, failing which interest will be charged on the outstanding balance. All these transactions are done through the electronic media and the banks prepare the bill at the end of a month and sent it to the customer. Thus, the credit card is not only beneficial to the banker but also to the customer and the seller.

- **ATMs:** Automatic Teller Machine which were introduced in 1967 by Barclays Bank in England is due to the development of e-Banking. ATM enables the customer to draw cash even during non-banking hours with the help of plastic card provided by the bank.
- **Foreign exchange transactions:** Banks are able to take advantage of different rates in the foreign exchange markets by the use of e-Banking. Even a very minor change in the foreign exchange rates will enable the banks to earn profits in Spot market, forward market, futures market, option and swap market transaction.

II. BENEFITS DUE TO E-BANKING

- ❖ **Reduction in the cost of banking operations:** The introduction of e-Banking has brought down the operating expenditure of the bank. There is less uses of stationery and better -utilisation of available man-power, both of which have reduced the cost of banking operations.
- ❖ **Better customer relationship:** Speedy transactions are being carried out through the electronic banking. Customers are more happy and the 'Banker – Customer relationship' has very much improved. Then in-house keeping of the banks has also improved as the use of electronic media requires a clean atmosphere. Bank premises give a better appearance with the introduction of e-Banking.
- ❖ **More turnover of Banking Operations:** Banks are handling more customers which very much reduces the cost of operations. In addition to this, banks are taking up additional activities such as Insurance, mutual fund, factoring, leading etc., which bring in additional income to banks.
- ❖ **Bank Audit:** The undertaking of EDP audit in banks has reduced the possibility of bank frauds. In fact, banks are able to detect more frauds that had taken place prior to the introduction of e-Banking.
- ❖ **Quick Remittance of Funds:** The interbank and inter branch transfers through drafts and other methods have not only speeded up but have benefited different centres in getting funds at the earliest. This has improved money market operations.
- ❖ **Central Bank and Head Office Control:** Control by central bank on other commercial banks and also by the head office on their branches is made very effective by the introduction of e-Banking. The network of branches and the network of central bank with head offices bring instantaneous control over the banking industry. For example, it is easy for the central bank to know within a short notice, the amount of total credit extended by banks during a particular period. Accordingly, suitable

monetary policies can be drafted to improve the economic conditions.

- ❖ **Benefit to Capital Market:** As banks are connected to capital market, they can transact more on purchase and sale of securities. Most of the banks have their own mutual funds and are in a better position to invest their funds in suitable securities. The online trading has benefited more banks to transact huge funds in the capital market.
- ❖ **Benefit to Government:** With the introduction of service tax, some of the banking services are also subject to service tax which increases the revenue of the government. The government is in a better position to borrow funds through the banks, both in terms of domestic and foreign currency. The government is able to know the extent of savings in the country through the banking sector and can thus adopt various methods for improving the savings. With public sector banks earning more profits through e-Banking, the government is benefited by additional revenue.

III. INTERNET BANKING

When the retail customers of the bank are allowed to operate their bank account through their personal computer systems throughout the country, it is called internet banking. For operating the account, the customer is provided with an identification number (ID) and a password. These are sent to the customers by the bank in a sealed envelope so that the customer can keep them confidential. From any part of the country, a customer can operate his account and transfer funds from his account or use the funds in his account for the purchase of rail tickets or for any other transaction. This facility is extended by the bank free of cost and it ensures absolute confidentiality due to the password and ID. Banks generally caution the customers not to use public PCs for operating their bank accounts. In addition to this, for any request for taking drafts or transfer of funds, bank requests the customers to use their Electronic Signature by which the instructions of the customer gets authenticated. In the case of developed countries, internet banking is used for transfer of funds by business concerns from various countries. It also helps companies to borrow at lowest rate interest from such countries from where funds are available. Thus, internet banking has facilitated quick transfer of funds and enables customers to operate their account online and also to know their account position at any time of the day. This development enables customers to operate their bank accounts sitting at home or at their offices.

IV. TELEBANKING

In telebanking, customers can operate their bank accounts through telephone facilities. But, here again, the customer are given ID number and password for using the telebanking facility. After dialing the branch, the customer will have to give his password and ID number which will enable the banker to open the account in the computer and inform the customer the latest position of his account.

We may add that in the modern days, when a customer opens an account with the banks, he is given five sets of ID numbers and passwords representing.

- I. Internet banking
- II. Telebanking
- III. ATM Card
- IV. Credit/Debit Card
- V. For availing cheque book facility

V. E-BANKING IN INDIA

After the economic liberalisation, there has been a considerable change in the banking operations in India. India banks were forced to change their approach towards their customers in view of the competition from multinational banks. The government had realised this and brought in sweeping changes in the banking operations. Initially, there was resistance from the bank employees for switching over to the computer system. But after experiencing the system, their resistance mellowed down and we find in many Indian banks computers have become a part of their operations. In India, only in metropolitan cities and big towns, banks are using the electronic media for their transactions. Having tasted their benefits, they are slowly extending the electronic network to their rural branches. Employment opportunities have increased both in the banking and other sectors by the use of electronic banking. Thus, we can say that e-Banking in India has done a lot of good to the banking industry and the emergence of Merchant Bankers is an outcome of e-Banking.

VI. CONCLUSION

India has a remarkable changes and digitalisation in e-Banking service. It's better to change paper less economy and minimize risk of fund. It is also benefited decrease corruption and increase tax payment.

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