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ROLE OF E-BANKING AND IMPACT ON TRADITIONAL BANKING SERVICES

Prof. A. T. Aher,
(Commerce department)

M.V.P. Samaj's Arts, science and Commerce College,
Ozar (MIG), Tal. Niphad, Nashik, 422206.

Abstract

Internet banking is changing the banking industry, having the major effects on banking relationships. Banking is now no longer confined to the branches where one has to approach the branch in person, to withdraw cash or deposit a cheque or request a statement of accounts. In true Internet banking, any inquiry or transaction is processed online without any reference to the branch (anywhere banking) at any time. Providing Internet banking is increasingly becoming a "need to have" than a "nice to have" service. The net banking, thus, now is more of a norm rather than an exception in many developed countries due to the fact that it is the cheapest way of providing banking services. This paper presents an overview of e-banking including its meaning, functions, types, advantages and limitations. The impact of e-banking on traditional services is also discussed.

Keywords: E-Banking, traditional banking services.

1. INTRODUCTION

Internet banking (or E-banking) lets you handle many banking transactions via your personal computer. For instance, you may use your computer to view your account balance, request transfers between accounts, and pay bills electronically. Internet banking system and method in which a personal computer is connected by a network service provider directly to a host computer system of a bank such that customer service requests can be processed automatically without need for intervention by customer service representatives. The system is capable of distinguishing between those customer service requests which are capable of automated fulfilment and those requests which require handling by a customer service representative. The system is integrated with the host computer system of the bank so that the remote banking customer can access other automated services of the bank. The method of the invention includes the steps of inputting a customer banking request from among a menu of banking requests at a remote personal computer; transmitting the banking requests to a host computer over a network; receiving the request at the host computer; identifying the type of customer banking request received; automatic logging of the service request,



comparing the received request to a stored table of request types, each of the request types having an attribute to indicate whether the request type is capable of being fulfilled by a customer service representative or by an automated system; and, depending upon the attribute, directing the request either to a queue for handling by a customer service representative or to a queue for processing by an automated system.

2. Definition

E-Banking allows a user to execute financial transactions via the internet. E - Banking offers customers just about every service traditionally available through a local branch, including deposits, which is done online or through the mail, and online bill payment.

3. Objectives

Internet banking has become very much popular now a day's throughout the globe. It has made the banking activities easier, faster and more accessible. Now people are trying to learn more about the E-banking. The primary objective of this study is to give an overview of e-banking and to study the impact of e-banking on traditional banking services.

1. Functions of e-banking

At present, the personal e-bank system provides the following services: -

- Inquiry about the information of account -The client inquires about the details of his own account information such as the card's / account's balance and the detailed historical records of the account and downloads the report list.
- Card accounts' transfer - The client can achieve the fund to another person's Credit Card in the same city.
- Bank-securities accounts transfer- The client can achieve the fund transfer between his own bank savings accounts of his own Credit Card account and his own capital account in the securities company. Moreover, the client can inquire about the present balance at real time.
- The transaction of foreign exchange -The client can trade the foreign exchange, cancel orders and inquire about the information of the transaction of foreign exchange according to the exchange rate given by our bank on net.
- Client service- The client can modify the login password, information of the Credit Card and the client information in e-bank on net.
- Account management-The client can modify his own limits of right and state of the registered account in the personal e-bank, such as modifying his own login password, freezing or deleting some cards and so on.
- Reporting the loss if the account -The client can report the loss in the local area (not nationwide) when the clients Credit Card or passbook is missing or stolen.

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2. Types of e-banking

2.1 Automated Teller Machines (ATM):

An automated teller machine or automatic teller machine(ATM) is an electronic computerized telecommunications device that allows a financial institution's customers to directly use a secure method of communication to access their bank accounts, order or make cash withdrawals (or cash advances using a credit card) and check their account balances without the need for a human bank teller. Many ATMs also allow people to deposit cash or cheques, transfer money between their bank accounts, top up their mobile phones' pre-paid accounts or even buy postage stamps. On most modern ATMs, the customer identifies him or herself by inserting a plastic card with a magnetic stripe or a plastic smartcard with a chip that contains his or her account number. The customer then verifies their identity by entering a passcode, often referred to as a PIN (Personal Identification Number) of four or more digits. Upon successful entry of the PIN, the customer may perform a transaction. The growth of ATM's has rapidly grown in the public places around the globe.

2.2 Tele banking

Undertaking a host of banking related services including financial transactions from the convenience of customers chosen place anywhere across the GLOBE and any time of date and night has now been made possible by introducing on-line Telebanking services. By dialling the given Telebanking number through a landline or a mobile from anywhere, the customer gets the following facilities:

- i. Automatic balance voice out for the default account.
- ii. Balance inquiry and transaction inquiry of all term deposit account Statement of account by Fax, e-mail or ordinary mail.
- iii. Cheque book request
- iv. Stop payment which is on-line and instantaneous Transfer of funds with CBS which is automatic and instantaneous
- v. Utility Bill Payments
- vi. Renewal of term deposit which is automatic and instantaneous.
- vii. Voice out of last five transactions.

Smart card

A smart card usually contains an embedded 8-bit microprocessor (a kind of computer chip). The microprocessor is under a contact pad on one side of the card. Think of the microprocessor as replacing the usual magnetic stripe present on a credit card or debit card. The microprocessor on the smart card is there for security. The host computer and card reader actually "talk" to the microprocessor. The microprocessor enforces access to the data

on the card. The chips in these cards are capable of many kinds of transactions. For example, a person could make purchases from their credit account, debit account or from a stored account value that's reload able. The enhanced memory and processing capacity of the smart card is many times that of traditional magnetic-stripe cards and can accommodate several different applications on a single card. It can also hold identification information, which means no more shuffling through cards in the wallet to find the right one -- the Smart Card will be the only one needed. Smart cards can also be used with a smart card reader attachment to a personal computer to authenticate a user.

Smart cards are much more popular in Europe than in the U.S. In Europe the health insurance and banking industries use smart cards extensively. Every German citizen has a smart card for health insurance. Even though smart cards have been around in their modern form for at least a decade, they are just starting to take off in the U.S.

2.3 Debit card

Debit cards are also known as check cards. Debit cards look like credit cards or ATM (automated teller machine) cards, but operate like cash or a personal check. Debit cards are different from credit cards. While a credit card is a way to "pay later," a debit card is a way to "pay now." When you use a debit card, your money is quickly deducted from your checking or savings account.

Debit cards are accepted at many locations, including grocery stores, retail stores, gasoline stations, and restaurants.

2.4 E-cheque:

An e-Cheque is the electronic version or representation of paper cheque. The Information and Legal Framework on the E-Cheque is the same as that of the paper cheque's. It can now be used in place of paper cheques to do any and all remote transactions. An E-cheque work the same way a cheque does, the cheque writer "writes" the e-Cheque using one of many types of electronic devices and "gives" the e-Cheque to the payee electronically. The payee "deposits" the Electronic Cheque receives credit, and the payee's bank "clears" the e-Cheque to the paying bank. The paying bank validates the e-Cheque and then "charges" the check writer's account for the check.

2.5 Other forms of electronic banking

- i. Direct Deposit
- ii. Electronic Bill Payment
- iii. Electronic Check Conversion
- iv. Cash Value Stored, Etc.

6. Benefits of e-banking

- i. Account Information: Real time balance information and summary of days transaction.
- ii. Fund Transfer: Manage your Supply-Chain network, effectively by using our online hand transfer mechanism. We can effect fund transfer on a real time basis across the bank locations.
- iii. Request: Make a banking request online.
- iv. Downloading of account statements as an excel file or text file.
- v. Customers can also submit the following requests online:
 - Registration for account statements by e-mail daily / weekly / fortnightly / monthly basis.
 - Stop payment or cheques
 - Cheque book replenishment
 - Demand Draft / Pay-order
 - Opening of fixed deposit account
 - Opening of Letter of credit
- vi. Customers can Integrate the System with his own ERP
- vii. Bill Payment through Electronic Banking
- viii. The Electronic Shopping Mall
- ix. Effecting Personal Investments through Electronic Banking
- x. Investing in Mutual funds
- xi. Initial Public Offers Online

7. Limitation of e-banking

- i. Safety situations around ATMs.
- ii. Abuse of bank cards by fraudsters at ATMs.
- iii. Danger of giving your card number when buying online.

8. Impact of e-banking on traditional services

E-banking transactions are much cheaper than branch or even phone transactions. This could turn yesterday's competitive advantage - a large branch network - into a comparative disadvantage, allowing e-banks to undercut bricks-and-mortar banks. This is commonly known as the "beached dinosaur" theory. E-banks are easy to set up, so lots of new entrants will arrive. Old-world systems, cultures and structures will not encumber these new entrants. Instead, they will be adaptable and responsive. E-banking gives consumers much more choice. Consumers will be less inclined to remain loyal. Portal providers are likely to attract the most significant share of banking profits. Indeed banks could become glorified marriage brokers. They would simply bring two parties together e.g. buyer and seller, payer and payee. The products will be provided by monolines, experts



in their field. Traditional banks may simply be left with Payment and settlement business even this could be cast into doubt. Traditional banks will find it difficult to evolve. Not only will they be unable to make acquisitions for cash as opposed to being able to offer shares, they will be unable to obtain additional capital from the stock market. This is in contrast to the situation for Internet firms for whom it seems relatively easy to attract investment. E-banking is just banking offered via a new delivery channel. It simply gives consumers another service (just as ATMs did). Experience in Scandinavia (arguably the most advanced e-banking area in the world) appears to confirm that the future is clicks and mortar banking. Customers want full service banking via a number of delivery channels. The future is therefore, Martini Banking (any time, any place, anywhere, anyhow). Traditional banks are starting to fight back. The start-up costs of an e-bank are high. Establishing a trusted brand is very costly as it requires significant advertising expenditure in addition to the purchase of expensive technology (as security and privacy are key to gaining customer approval). E-banks have already found that retail banking only becomes profitable once a large critical mass is achieved. Consequently many e-banks are limiting themselves to providing a tailored service to the better off. E-Banking transaction needs some interface to communicate with banking customer. All the electronic transaction performs through some interfaces. The electronic devices which perform interact with customers and communicate with other banking system is called electronic banking delivery channels.

9. Conclusions

E-banking is a borderless entity permitting anytime, anywhere and anyhow banking. This facilitates us with all the functions and many advantages as compared to traditional banking services. During this step of the process, controls that could mitigate or eliminate the identified risks, as appropriate to the organization's operations, are provided. The goal of the recommended controls is to reduce the level of risk to the IT system and its data to an acceptable level.

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