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Impact of Electronic Banking on Banking Services

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Abstract

Electronic banking is changing the banking industry, having the major effects on banking relationships. Banking is now no longer confined to the branches were one has to approach the branch in person, to withdraw cash or deposit a cheque or request a statement of accounts. It is the future of banking business in the upcoming century. It is the latest wave in information technology. There is no human operator present in a remote location to respond to his needs such as in mobile banking, in a call centre. Banks are one of the important financial institutions in any country, which have been playing a crucial role in extending their financial assistance to all sort of business. This paper deals with technology in banking system, impact of electronic banking, functions of electronic banking, advantages and disadvantages of electronic banking, and services of electronic banking.

Key words: *financial institutions, electronic banking, information technology*

Introduction:

Online Banking is an electronic payment system that enables customers of a financial institution to do their financial transactions on a website operated by the institution such as a retail bank, virtual bank, credit union or building society. It is also referred as Internet Banking, e-banking, virtual banking and by other terms. To access a financial institution's online banking facility, a customer with internet access would need to register with the institution for the service, and setup some password for customer verification. The password for online banking is normally not the same as for telephone banking. Financial institutions now routinely allocate customers numbers whether or not customers have indicated an intention to access their online banking facility. Customers numbers are normally not the same as account numbers because a number of customer accounts can be linked to the one customer number.

Electronic Banking in India:

Banking is one of the oldest professions known to mankind. It has undergone many a transition and internet banking is the latest in the list of such transformations. Internet banking has brought about a 360 degree change in the entire banking industry. Such is the change in scenario that timing is no longer a constraint and you can finish your day-today chores and bank leisurely when you have the time. This method has also made shopping and bill payment very easy and convenient. Long queues for these activities have now become history.Customers may perform banking transactions electronically without visiting a brick-and-mortar institution. The following terms all refer to one form or another of electronic banking: personal computer banking, internet banking, virtual banking, online banking, home banking, remote electronic banking, and phone banking. PC banking and Internet or online banking is the most frequently used designations. It should be noted, however, that the terms used to describe the various types of electronic banking are often used interchangeably.

Impact of Electronic Banking:

Banking is the business activity of accepting and safeguarding money owned by other individuals and entities and then lending out this money in order to earn a profit. Electronic banking transactions are much cheaper than branch or even phone transactions. It has revolutionized and redefined the ways banks were operating. As technology is now considered as the main contribution for the organizations success and as their core competencies. So the banks, be it domestic or foreign are investing more on providing on the customers with the new technologies through electronic banking.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.

Functions of electronic banking:

An access to account data: Internet banking systems help customers in acting as a medium through which data related to their accounts like transaction details, balance enquiry, status of particular transaction etc. can be accessed from any point where internet facility is available. This can be further extended to gathering of information related to credit card balances, bill payment date etc.A mode of operational interaction, perhaps one of the popular functions of internet banking, is that it can transfer funds. This includes transfer of money from a customer's account to another person's account in a different or same bank, payment of utility bills ie., telephone, gas, electricity etc. or any other transfer where the bank has channels with the point where the money is supposed to reach. These operations require instructions from the account holder and this instruction or request can be made through internet.

Electronic banking services:

Automated teller machines:

The most popular device in India enables the customers to withdraw their money 24 hours a day 7 days a week. Automated Teller Machines can be used for payment of utility bills, funds transfer between accounts, deposit of cheques and cash into accounts, balance enquiry etc. Today the Indian has approximately more than 17000 Automatic Teller Machines. It is an unattended electronic machine in a public place connected to a data system and related equipment and activated by a bank customer to obtain cash withdrawals and other banking services. It is also called automatic teller machine, cash machine, also called money machine. An automated teller machine or automatic teller machine is an electronic computerized telecommunications device that allows financial institutions customers to directly use a secure method of communication to access their bank accounts, make cash withdrawals and check their account balances without the need for a human bank teller.

Many automatic teller machines also allow people to deposit cash, transfer of money between their bank accounts, easy top up to their mobile phones prepaid accounts. The most modern automatic teller machines 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 details. The customer then verifies their identity by entering a pass code, often referred to as a Personal Identification Number of four or more digits. It is successful entry of the Personal Identification Number the customer may perform a transactions.

Debit card:

The number of debit cards is on the rise due to the increasing access of people to banking services. Debit card transactions have recorded a healthy uptake, in line with the growth in their number. The lower average debit card spend could be due to the fact that this medium is preferred for mobile recharge and bill payment. Automated Teller Machine is designed to perform the most important function of bank. Automated Teller Machine card is operated by plastic card with its special features. This plastic card is replacing cheque, personnel attendance of the customers, to restrict the banking hours and paper based verification. Automated Teller Machine provides information about customers account and also receives instructions from Automated Teller Machine card holders. An Automated Teller Machine is an Electronic Fund Transfer terminal capable of handling cash deposits, transfer between accounts, balance enquiries, cash withdrawals and pay the different bills. The online Automated Teller Machines enables the customer to avail banking facilities from where. The Automated Teller Machines located at different sports are linked to the host computer in the bank. The transactions are in real time i.e., instantaneously booked to customers account.

Real time gross settlement:

It was introduced in India since March 2004. It is a system through which electronics instructions can be given by banks to transfer funds from their account to the account of another bank. The RTGS system is maintained and operated by the Reserve Bank of India and provides a means of efficient and faster funds transfer among banks facilitating their financial operations.

Electronic fund transfer:

Electronic Fund Transfer is a system whereby anyone who wants to make payment to another person or company etc. can approach his bank and make cash payment or give instructions or authorization to transfer funds directly from his own account to the bank account of the receiver or beneficiary. It was established by Reserve Bank of India for carrying out inter banking and intra banking fund transfers with in India through Electronic Fund Transfer centres connected by a network and providing for settlement of payment obligations arising out of such funds transfer between participating banks. Every participating bank and admitted institution shall open and maintain in every Electronic Fund Transfer centre, a settlement account for settlement of payment obligations arising under the fund transfer executed under the Electronic Fund Transfer system. Electronic Fund Transfer system hosted and operated by the Reserve Bank of India, permits the transfer of funds, up to Rs.5 lakh from any account at any branch of any customer in any city to any other account at any branch of any customer in any other city. This system utilizes the service branches of the member banks and the nodal offices of Reserve Bank of India. The Reserve Bank of India acts as the service provider as well as the regulator.

Electronic clearing system:

Electronic Clearing System is a retail payment system that can be used to make bulk payments or receipts of a similar nature especially where each individual payment is of a repetitive nature and of relatively smaller amount. The facility is meant for companies and government departments to make or receive large volumes of payments rather than for funds transfers by individuals.

Electronic data interchange: Electronic exchange of business documents like purchase order, invoices, shipping notices, receiving advice etc. in a standard, computer processed, universally accepted format between trading partners. It can also be used to transmit financial information and payments in electronic form.

E-Payment: India, as the harbinger to the introduction of e-cheque, the negotiable instruments act has already been amended to include truncated - cheque and E-cheque instruments.

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 e-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.

Telephone banking:

In the 1970's banking customers started to use their home phones to dial the phone to check their account balances, transfer funds, and pay bills. It provided 24/7 services, however, it did not provide visual features while conducting the transactions. Customers could listen to the transaction acknowledgements, but they could not view them. Of course, this was before the smart-phone era back in the 1970's. In general, there are two types of phone banking:

1) Operator Services:

   For customers with very complicated inquiries needing personnel attention and cannot be covered by automated services, or customers who are not too comfortable with automated services and needed engagements by human personnel.

2) Automated Services:

For functions that can be conducted by the automated system without the need for human operators.

This became less applicable in today's phone-banking with the evolution and development of smart-phones with internet connection and software applications.

Advantages of e-banking:

It is very convenient, comfortable, and easy way to do whatever monetary transaction you wish to do with your bank, it provides 24/7 services as the e-banking never closes and has no cutoff time. Smart and interactive with auto-solutions and troubleshooting functionalities. It is higher interest rate enabled through the cost savings achieved by digital firm capabilities and to speedy and easiness of conducting the digital transactions compared to paper-based dealings with walk-in customers.

Disadvantages of e-banking:

It was poorly delivered e-banking services can be slow and time consuming, to identity authentication requirements can be annoying and overwhelming for clients, to require a lots of paperwork and procedures for registration and set-up, such as documentations and power of attorney to spouses beyond what is required for traditional paper-based dealings. It can be difficult for clients to get familiarized with the bank's website and e-banking channel, each bank has its own unique website and methods and frequent changes and adjustments to the bank's website and delivery channels that require re-familiarization and in some cases re-registration and documentation.

Conclusion:

It is concluded that banks should conduct various training programmes for the employees so that they will get aware with the terms of internet banking and maximum utilization of Automated Teller Machine cards for different services and banks should take necessary steps to improve the security measures at Automated Teller Machines awareness about money deposit through Automated Teller Machines. Awareness about online payment through Automated Teller Machines and should take initiative for creation of own gateways for improve security in the process of online payments or transactions.

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