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E- BANKING : IN TODAY’S BUSINESS AND ONLINE TRANSACTION ENVIRONMENT

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ABSTRACT

Financial sector plays an important role in the economic development of a country. A strong and healthy banking system is an important requirement for economic growth. Indian banking industry today is observing an IT revolution. A combination of regulatory and competitive reasons has led to increasing importance of total banking automation in the Indian Banking Industry. Information Technology has basically been used under two different avenues in Banking. One is Communication and Connectivity and other is Business Process Reengineering. The shift towards internet banking is fuelled by the changing dynamics in India. DEMONETISATION has also played a major role in increasing the reach of online banking. By 2020 the average age of India will be 29 years and this young consumer base is internet savvy and wants real time online information. Indian banks therefore need to aspire high and move toward implementing a world class internet banking capability. The objective of the project is to examine and analyze the progress made by Internet Banking in India. The study is primary based and analytical in nature.

Key word : DEMONETISATION, Information Technology, Internet Banking .

Introduction: The process in which internet and computer device are used as a medium to facilitate banking services is termed as internet banking. Internet banking is a web-based service that enables the banks’ authorized customers to access their account information. It permits the customers to log on to the banks website with the help of bank’s issued identification and personal identification number (PIN). The banking system verifies the user and provides access to the requested services, the range of products and service offered by each bank on the internet differs widely in their content. Banks have traditionally been in the forefront of harnessing technology to improve their products, services and efficiency. Banks are using electronic and telecommunication networks for delivering a wide range of value added products and services. The delivery channels include direct dial – up connections, private networks, public networks etc and the devices include Personal Computers. With the popularity of PCs, easy access to Internet and World Wide Web (WWW), Internet is increasingly used by banks as a channel for receiving instructions and delivering their products and services to their customers. Most of the banks offer internet banking as a value-added service.

The customers may transact the following types of transactions by using internet banking:

- Obtain/download account statements.
- List of latest transactions, ebill payments.
- Transfer funds from customers account to other accounts through NEFT, RTGS.
- Order cheque books

- Open fixed deposits
- Investment in mutual funds, shares & other plans
- Recharge prepaid mobile packages/DTH
- Report of loss of Debit or Credit Cards
- Stop payment of a particular cheque issued by customer
- Request for change of address or telephone/mobile number

E-BANKING IN INDIA

After independence, Indian government revealed interest towards banks which results the nationalization of banks, leading to the emergence of the public sector banks. Later on in 90's the banking industry embracing technology in a massive way, led in particular by the new private banks and MNC banks. The Indian banking industry has undergone unprecedented rivalry among unconventional banking organizations. The introduction of latest technologies along with the deregulation of the banking sector has attracted new players to make a foray into the industry rapidly and competently. Also, online banking has made things much easier and has saved lot of time of bank employees as well as general public. The traditional way of waiting in a queue and filling up all the forms manually, is no hassle now for transacting with any bank. Banks in India are offering wide range of their services and their products through internet banking.

Some of the major services and products in India are:
Statements: Provide account statement (account info), Balance enquiry, balance statement and transaction reports used. Customers can even download and print the statement of accounts .

Online Fund Transfer: Transfer funds between accounts, even if they are in different branches or cities. Customer can also transfer funds to any person having an account with the same bank anytime, anywhere, using third party funds transfer option.

Bill Payment Service: Banks Bill Payment is the easiest way to manage bills. Account holder can pay their regular monthly bills i.e. telephone, electricity, mobile phone, insurance etc. at anytime, anywhere for free. Lets account holders check their bill amount before it is debited form their account.

Requests and Intimations: Can electronically submit a request for Cheque-book, Stop payment instructions, Opening a fixed deposit, Opening a recurring deposit, Intimate for the loss of ATM card, Register online for phone and mobile banking, Cheque status, Online application for debit card, Issue a DD or a Banker's cheque form account at special rates.

Demat Account and Share Trading Demat Account: Demat is commonly used abbreviation of „Dematerialisation“, which is a process where by securities like share, debentures are converted from the ‘material’ (paper documents) into electronic data and stored in the computer of an electronic Depository. A depository is a security „banks,“ where dematerialized physical securities are held in custody, and form where they can be traded. This facilitates faster, risk-free and low cost settlement.

According to a report by Boston Consulting Group (BCG), In India, out of 1.2 billions, only 200 million people having bank accounts, which is only 17 % of Indian and according to McKinsey report (2011), with 120 million internet , India has third largest internet in the world after China and the US and India targeted for 330--370 million internet users in 2016 which will make it second largest internet . In same report, it is mentioned that it made positive improvement in e-commerce. Further it is reported that 7% of account holders in the country are using the Internet for banking transactions, while branch banking has fallen by a full 15 percentage points

BENEFITS OF E-BANKING: Internet Banking has several advantages over traditional one which makes operating an account simple and convenient. It allows you to conduct various transactions using the bank's website and offers several advantages. Some of the advantages of internet banking are:

- Online account is **simple** to open and easy to operate.
- It is quite **convenient** as you can easily pay your bills, can transfer funds between accounts, etc. Now you do not have to stand in a queue to pay off your bills; also you do not have to keep receipts of all the bills as you can now easily view your transactions.
- It is available all the time, i.e. **24x7**. You can perform your tasks from anywhere and at any time; even in night when the bank is closed or on holidays. The only thing you need to have is an active internet connection.
- It is **fast and efficient**. Funds get transferred from one account to the other very fast. You can also manage several accounts easily through internet banking.
- Through Internet banking, you can keep an eye on your transactions and account balance all the time. This facility also keeps your account **safe**. This means that by the ease of monitoring your account at anytime, you can get to know about any fraudulent activity or threat to your account before it can pose your account to severe damage.

DISADVANTAGES

Though there are many advantages of internet banking, but nothing comes without disadvantages and everything has its pros and cons; same is with internet banking. The disadvantages of online banking include the following:

Difficult to understand for a beginner at the first go. Though there are some sites which offer a demo on how to access online accounts, but not all banks offer this facility. You cannot have access to online banking if you don't have an internet connection; thus without the availability of internet access, it may not be useful

- **Security of transactions** is a big issue. Your account information might get **hacked** by unauthorized people over the internet.
- **Password security** is a must. After receiving your password, do change it and memorize it otherwise your account may be misused by someone who gets to know your password inadvertently
- Another issue is that sometimes it becomes difficult to note whether your transaction was successful or not. It may be due to the **loss of net connectivity** in between, or due to a slow connection, or the bank's server is down.
- Internet Banking has definitely made the life easy for users by providing online access to various banking services.

CONSTRAINTS IN E - BANKING

Although there are obvious benefits in Internet Banking, there are some hurdles in the smooth implementation of Internet-banking.

(i) Start-up cost: The initial start-up cost for venturing into Internet banking is on the higher side and it includes the following: connection cost to the Internet or any other mode of electronic

communication cost of sophisticated hardware, software and other related components like Modem, Router, Bridges, network management system cost of maintenance of all equipment, web sites, skill level of employees cost of setting up organizational activities

(ii) Training and Maintenance: The introduction of Internet banking involves 24 hours support environment, quality service to end users and other partners which would necessitate a well qualified and robust group of skilled people to meet external and internal commitments. Hence the bank has to spend a lot on training.

(iii). Lack of skilled personnel: It is a well known fact that there is an acute scarcity of web developers, content providers and knowledgeable professionals to route banking transactions through internet.

(iv). Security: In paperless banking transactions, many problems of security are involved. A security threat is defined as a circumstansive decision or event with potential to cause economic hardship to data or network resources in the form of destruction, disclosure, modification of data, denial of services, fraud, waste and abuse. There are chances that the documents such as cheque , passbook etc., can be modified without leaving any visible trace. Distortions of information are also possible. Providing appropriate security may require a major initial investments in the form of application encryption require a major investments in the form of application encryption techniques, implementation of firewalls etc., In spite of implementation of several security measures the possibility of a security breach cannot be ruled out.

(v). Legal Issues: Legal framework for recognizing the validity of banking transactions conducted through the 'NET' is still being put in place. Though initial legal framework has been devised for E-banking activities, it is uncertain as to what possible legal issues may pop up in future as banking on Internet progresses.

(vi). Restricted clientele and technical problems: The user of E-Banking needs a computer and time to log on to the site, which means that the target clientele is restricted to those who have a home PC or can access the 'Net' through the office or cyber cafe. Moreover technical constraints due to telephone connectivity, modem connections etc., may cause constraints.

LITERATURE REVIEW

Balwinder Singh and Pooja Malhotra (2014): The paper presents data, drawn from a survey of commercial banks websites, on the number of commercial banks that offer Internet banking and on the products and services they offer. It investigates the profile of commercial banks that offer Internet banking, using univariate statistical analysis, relative to other commercial banks with respect to profitability, cost efficiency, and other characteristics. By the end of first quarter, 2004, differences between Internet and non-Internet banks had begun to emerge in funding, in sources of income and expenditures and in measures of performance. It was also found that the profitability and offering of Internet banking does not have any significant correlation.

Jayshree Chavan (2013): The paper discusses some challenges in an emerging economy. Paper concluded that one of the benefits that banks experience when using ebanking is increased customer satisfaction. This due to that customers may access their accounts whenever, from anywhere, and they get involved more, this creating relationships with banks. Banks should provide their customers with convenience, meaning offering service through several distribution channels (ATM, Internet, physical branches) and have more functions available online.

Roshanlal and R Saluja (2012): The progress in e-banking in Indian banking industry is measured through various parameters such as Computerization of branches, Automated Teller Machines, Transactions through Retail Electronic Payment Methods etc. Statistical and mathematical tools such as simple growth rate, percentages and averages etc are used. The paper also highlights the challenges

faced by Indian banks in adoption of technology and recommendations are made to tackle these challenges. The paper concludes that in years to come e- banking will not only be acceptable mode of banking but preferred mode of banking.

Vikas Chauhan and Vipin Choudhary (2015): The present paper attempts to understand the concept of internet banking as well as study the benefit of internet banking from perspective of consumers as Well as banks. Further, this paper discusses the challenges and opportunities associated with the internet banking in Indian context. The discussion concludes that concept of Internet banking Is slowly gaining acceptance in Indian scenario and efforts are being made by government agencies to make it more popular among consumers.

OBJECTIVES

The overall objectives of the present study are to analyze the role and reach of Internet banking in India. The specific objectives of the study are enunciated below:

- To examine the reach of internet banking
- To analyze awareness among customers using internet banking
- To identify the level of security among customers in using these services
- To find out the popularity of the internet banking service in customers as users and non users.
- To identify the satisfaction level of the consumers by using online services of banks.

RESEARCH METHODOLOGY

This study is descriptive in nature based on survey method. The study aims at finding out the attitude of the people towards internet banking in Delhi city. This study was based mainly on primary sources. The primary data was collected from the people who have the facility of online banking, with help of the questionnaire. The correspondents for the survey consists of –

- Businessmen
- Private and Government Service Employees
- Professors of DU
- Students
- Others

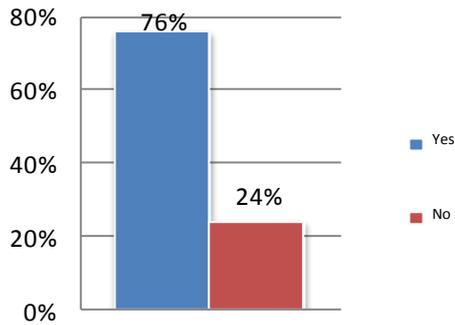
A sample of 400 respondents have been selected and survey was conducted to see the overall perception of people towards the online banking scenario.

The secondary data was collected from the books, records and journals. The essential data were collected with the help of questionnaire. Secondary data sources like research material and various internet sites have been used in this project.

DATA ANALYSIS AND INTERPRETATION

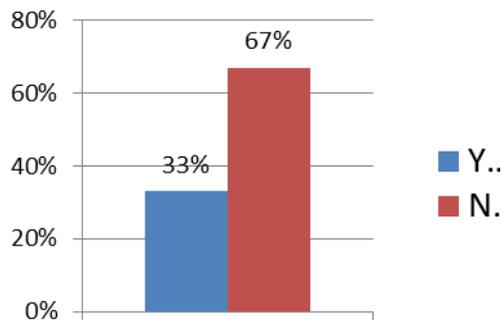
1. DO YOU USE ONLINE BANKING TO PERFORM BANKING TASKS (E.G., CHECK YOUR BALANCE, PAY BILLS, ETC.)?

- | | |
|-------------|-------------|
| ➤ Yes ----- | 76 per cent |
| ➤ No ----- | 24 per cent |



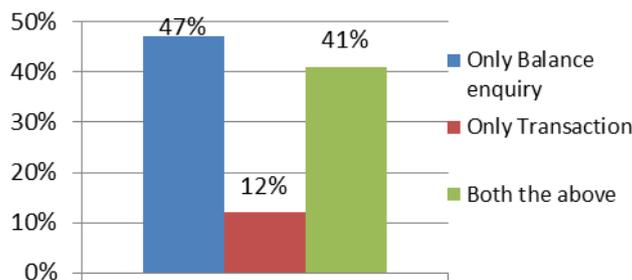
2. DO YOU USE TELEPHONE BANKING TO PERFORM BANKING TASKS (E.G., CHECK YOUR BALANCE, PAY BILLS, ETC.)?

- Yes ----- 33 per cent
- No ----- 67 per cent



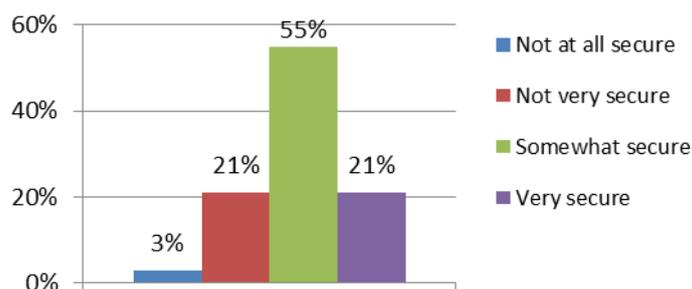
3. WHAT FUNCTIONS DO YOU PERFORM ON ONLINE BANKING?

- Only Balance enquiry ----- 47 per cent
- Only Transaction ----- 12 per cent
- Both the above ----- 41 per cent



4. HOW SECURE DO YOU FEEL USING ONLINE BANKING?

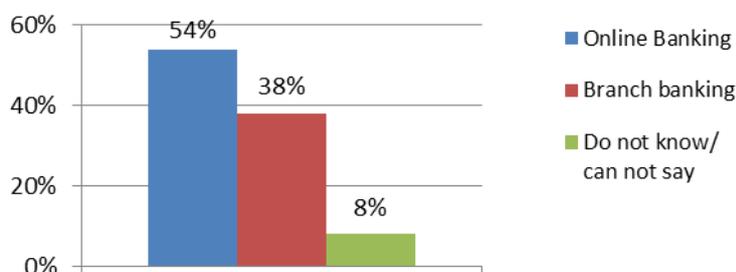
- Not at all secure ----- 03 per cent
- Not very secure ----- 21 per cent
- Somewhat secure ----- 55 per cent
- Very secure ----- 21 per cent



Interpretation: The Respondents opinion reflects that the users of online banking consider safety and security as prime concerns and the degree of it depends on the reputation of the bank and its efficiency and other factors including how consumer perceives the entire situation.

5. BETWEEN ONLINE BANKING AND BRANCH BANKING, WHICH ONE DO YOU THINK PROVIDES MORE FACILITIES TO THE CONSUMER?

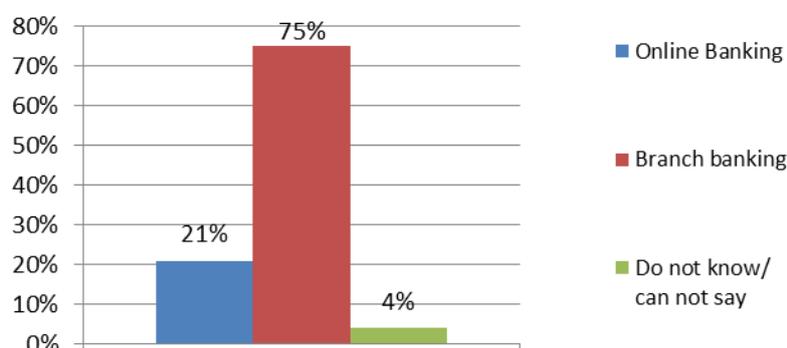
- Online Banking ----- 54 per cent
- Branch banking ----- 38 per cent
- Do not know/ can not say ----- 08 per cent



Interpretation: Where the facility aspects are considered, the respondents are of the opinion that the online banking offers more facilities to the consumers than the traditional branch banking.

6. BETWEEN ONLINE BANKING AND BRANCH BANKING, WHICH ONE DO YOU THINK PROVIDES MORE SAFETY AND SECURITY TO THE CONSUMER?

- Online Banking ----- 21per cent
- Branch banking ----- 75 per cent
- Do not know/ can not say ----- 04 per cent



Interpretation: When the issue of security is concerned, the respondents are of the opinion that the online banking is less secure and safe than the traditional branch banking.

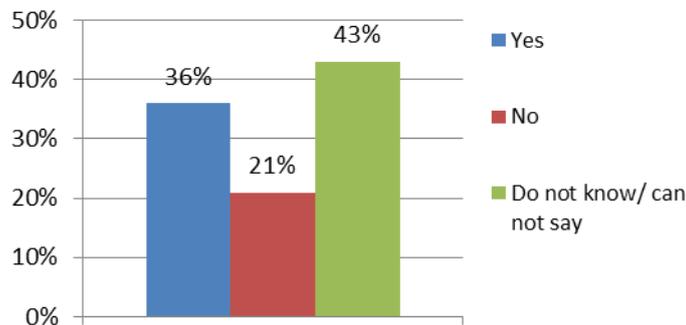
7. DO YOU FEEL THAT BANKS SHOULD USE SOME BETTER FORM OF CONSUMER IDENTIFICATION OR AUTHENTICATION FOR THE ACCOUNT HOLDERS LOGGING INTO ONLINE BANKING?

- Not necessary ----- 21 per cent
- Does not matter ----- 10 per cent
- Recommend for it ----- 42 per cent
- Strongly recommend for it ----- 27 per cent



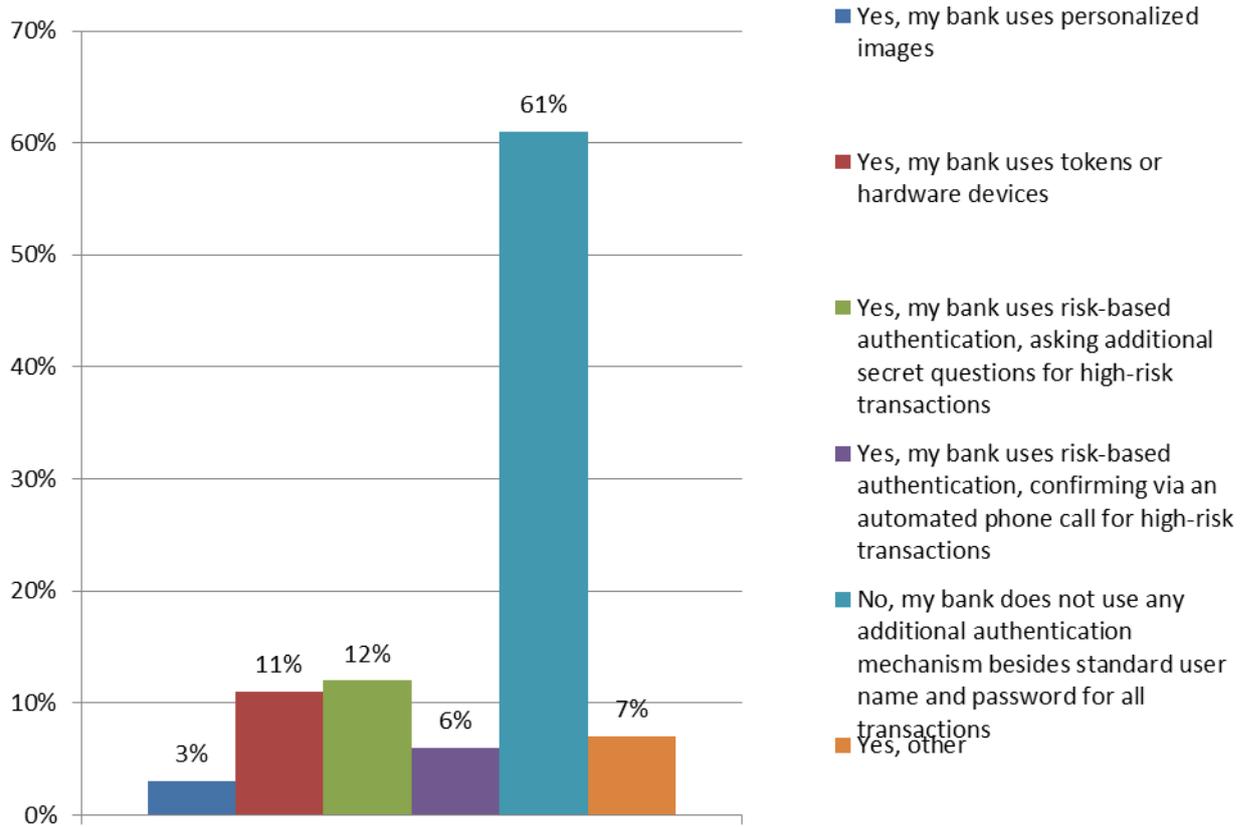
8. Some banks are beginning to use a personalized image to authenticate the online banking site to the user. Each user selects a picture they would like to use, and every time they login to the online banking site, the picture is displayed by the bank. If the picture is NOT there, the user will know that they did not reach the bank's real site. Would you like to use a personalized image of some sort?

- Yes ----- 36 per cent
- No ----- 21 per cent
- Do not know/ can not say ----- 43 per cent



9. AS FAR AS YOU KNOW, DOES YOUR BANK USE ANY OF THE SECURITY METHODS MENTIONED BELOW?

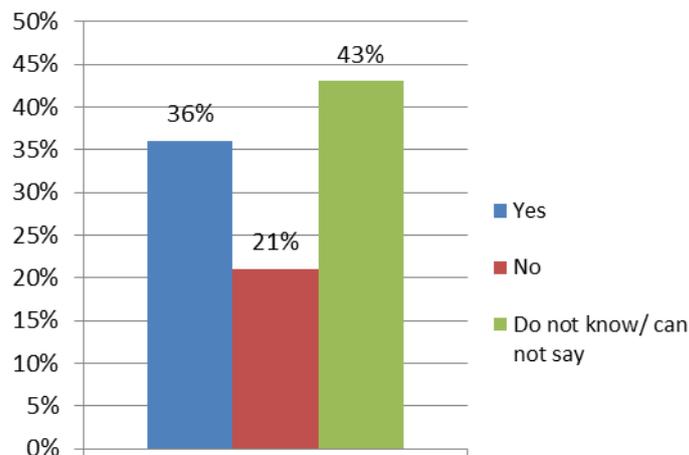
- Yes, my bank uses personalized images ----- 03 per cent
- Yes, my bank uses tokens or hardware devices ----- 11 per cent
- Yes, my bank uses risk-based authentication, asking additional secret questions for high-risk transaction----- 12 per cent
- Yes, my bank uses risk-based authentication, confirming via an automated phone call for high-risk transactions----- 06 per cent
- No, my bank does not use any additional authentication mechanism besides standard user name and password for all transactions -----61 per cent
- Yes, other ----- 07 per cent



Interpretation: Additional security measures by banking for online banking, including transaction needs to be improvised.

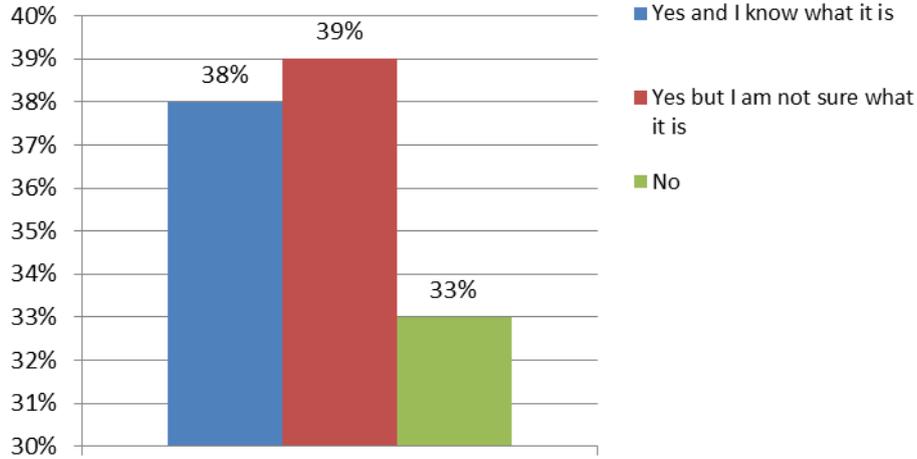
10. SHOULD YOUR BANK BE LIABLE FOR FRAUD OCCURRING ON THE INTERNET BANKING WEBSITE?

- Yes, my bank should be liable in any case ----- 55 per cent
- No, I am liable for what happens in my bank account ----- 03 per cent
- Sometimes, it depends on the case ----- 42 per cent



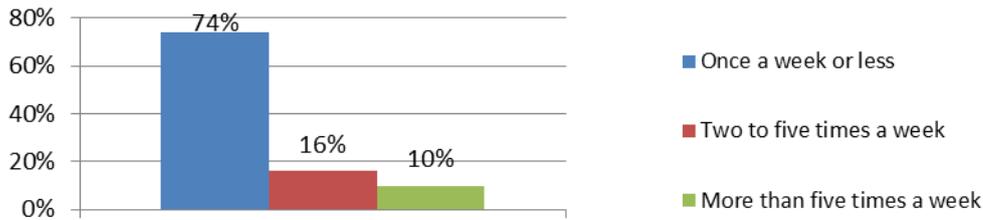
11. HAVE YOU EVER HEARD OF THE TERM "PHISHING"?

- Yes and I know what it is ----- 38 per cent
- Yes but I am not sure what it is ----- 29 per cent
- No ----- 33 per cent



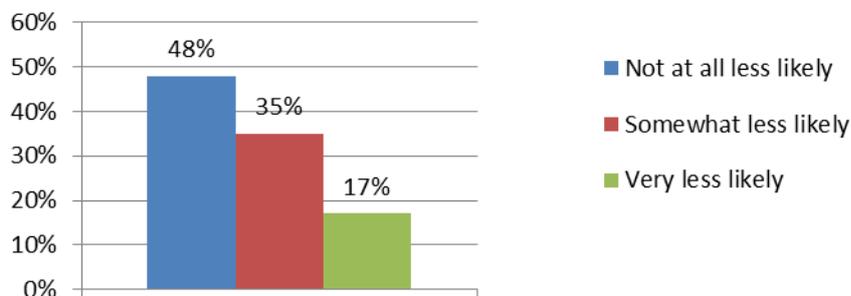
12. HOW MANY TIMES A WEEK DO YOU RECEIVE PHISHING EMAILS ON AVERAGE?

- Once a week or less ----- 74 per cent
- Two to five times a week ----- 16 per cent
- More than five times a week ----- 10 per cent



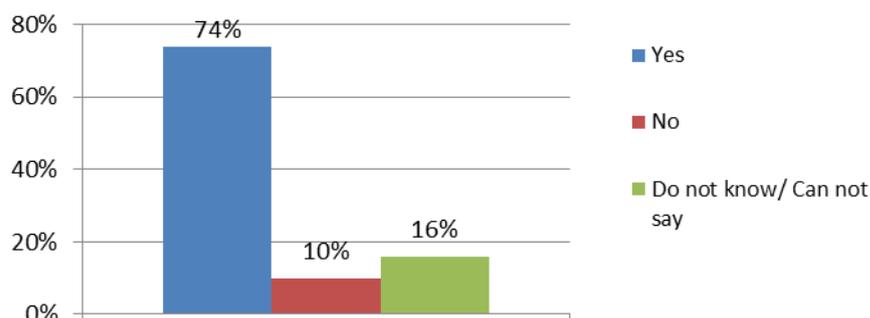
13. ARE YOU LESS LIKELY TO SIGN UP OR CONTINUE TO USE YOUR BANK'S ONLINE SERVICES BECAUSE OF THE PHISHING PHENOMENON?

- Not at all less likely ----- 48 per cent
- Somewhat less likely ----- 35 per cent
- Very less likely ----- 17 per cent



14. DO YOU AGREE THAT BANKS STRONGLY ADDRESSING THE SECURITY ISSUES WILL HELP TO BOOST E- BANKING IN INDIA?

- Yes ----- 74 per cent
- No ----- 10 per cent
- Do not know/ Can not say ----- 16 per cent



CONCLUSION: Banking in India has gone electronic over the last few years, in line with the global trends. Today, banks are not only automating their core banking operations, but also increasingly using Information Technology for front-end customer-intensive operations. This trend is expected to be strengthened over the next few years and spread from urban to rural areas and from foreign and Indian private banks to public sector and co-operative banks. With the obvious advantages of enhanced productivity, also come the risks associated with critical reliance on the IT infrastructure. While technological and managerial solutions are available to contain this risk, the importance of a culture of compliance among the banks' employees and customers is essential. The first line of attack is the social engineering attack where people are coerced or deceived into parting with valuable or sensitive information. This is where most vulnerability occurs. The reasons for preferring branch banking have been attributed to convenience, personnel comfort, Channel financial security, Inertia for change. Internet banking has not been perceived as a channel with security and inconvenient. These are the main reasons for Internet banking not occupying the slot of most preferred channel among banking consumers in our study. Convenience is the factor that makes consumers choose ATM as their most preferred banking channel. Tele banking has been perceived as Inconvenient, Insecure, and hence the unpopularity. Convenience and channel financial security are the factors that make consumers choose ATM as their most preferred banking channel. There is an urgent need to strengthen the security parameters for an improvised and popular version of e banking in India.

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