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## Role of e-banking in banking sector

**M. Panneerselvam, R. Murugupandian**

### Abstract

Electronic banking is generally an extension of traditional banking, using the internet as an Electric delivery channel for banking products and services. The banking today is redefined and Re-engineered with the use of IT and it is sure that the future of banking will offer more sophisticated services to customers with the continuous product and process innovations. Thus there is a paradigm shift from seller's market to buyer's market. The study examines various relevant issues relating to role of IT in banking and recommends ensuring privacy and confidentiality of data's, implement IT and other Cyber laws properly. This will ensure the developmental role of IT in the banking industry.

**Keywords:** e-Banking Services, Innovation, Indian internet banking faces following challenges

### 1. Introduction

Banking Sector is the Backbone of the country's Economy. They are the elements of social and economic development of the nation. They are pillars of support to the growth and development of the country. Internet has touched almost all aspects of our lives. The emergence of e-commerce has revolutionized the way we live, shop, entertain and interact. Therefore, it should not come as a surprise if it tries to influence the way we save and the way we invest.

Today, when the customer is king and the service providers are rushing to pay obeisance to the king, financial service providers cannot be left behind. In their quest to differentiate their services and gain competitive advantage over their competitors, the financial service providers are trying to provide their services to the customers in the comfort of their homes. The Internet has emerged as a convenient channel for these service providers.

### 2. E-Banking/Online Banking

E-Banking is defined as the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels. E-banking includes the systems that enable financial institution customers, individuals or businesses, to access accounts, transact business, or obtain information on financial products and services through a public or private network, including the Internet. Customers access e-banking services using an intelligent electronic device, such as a personal computer (PC), personal digital assistant (PDA), automated teller machine (ATM), kiosk, or Touch Tone telephone. While the risks and controls are similar for the various e-banking access channels, this booklet focuses specifically on Internet- based services due to the Internet's widely accessible public network.

### 3. Origin of Online Banking in India

The Indian banking system has undergone significant technological transformation since the 1980s. The Rangarajan Committee report in 1980s was the first step towards computerization of banks. Banks started exploring the idea of "Total Bank Automation (TBA)", although titled Total Bank Automation, "TBA was in most cases confined to branch automation. It was only in the early 1990s that banks started thinking about tying – up separate branches together to facilitate information sharing At The same time, private banks entered the banking arena with radically different strategies. The private banks provided huge budgets to the adoption of technology to provide a whole new range of financial products and services at minimal costs. In India, from the early 1990's electronic banking is gaining popularity as an important distribution channel to provide banking services.

This direction is being taken by the banks to differentiate their services to the consumers to gain their loyalty.

**4. E-Banking Services**

- Round – the-Clock banking
- Direct Deposit
- Phone Payment
- PC Banking
- Point-of-Sales Transfers
- Electronic Cheque Conversion

**5. Types of Internet Banking**

- i. Information Only System
- ii. Electronic Information Transfer System
- iii. Fully Electronic Transactional System
- iv. Technology used in Online Banking.

**6. The Electronic Fund Transfer (EFT)**

This facility offers us to make payments to account holders of other banks in an efficient and fast manner. As against the physical clearing, where the cheques are cleared on presentment of the physical instrument at the clearing house, in EFT the transactions are settled electronically.

**7. Automated Teller Machines**

The Automated Teller Machines are installed, now-a-days, at every nook and corner in most of the towns & cities. These are meant for balance enquiries, cash withdrawals and many other facilities depending upon policies of the bank. This requires a valid Customer Id and password to log in and is therefore safe to be used. Despite of using ATM cards, Debit cards can also be used in the ATMs.

**8. Debit Cards**

Debit Cards is another advanced technology of the electronic banking, now-a-days, these cards are the multi-purpose cards and can be used in ATMs for balance enquiry and cash withdrawal or can be used for easy shopping at various counters. Debit Cards ensure the automatic deduction of amount from the account just by scratching it on the machine.

**9. Credit Cards**

A credit card system is a type of retail transaction settlement and credit system, named after the small plastic card issued to users of the system. In the case of credit cards, the issuer lends money to the consumer. Credit cards become very popular in India with the introduction of foreign banks in the country.

**10. Smart Cards**

A Card that is used for storing and retrieving personal information, normally the size of a credit card and contains electronic memory and possibly an embedded integrated circuit.

**11. Payment and Settlement Systems and Information Technology**

The development of payment and settlement systems conforming to the best international standards has been a key objective of the Reserve Bank. A milestone was crossed

during 2003-4 with the commencement of the Real Time Gross Settlement (RTGS) as a facility available for quick, safe and secure electronic mode of funds transfer. Preparation of the draft legislation relating to payment and settlement systems was another important development.

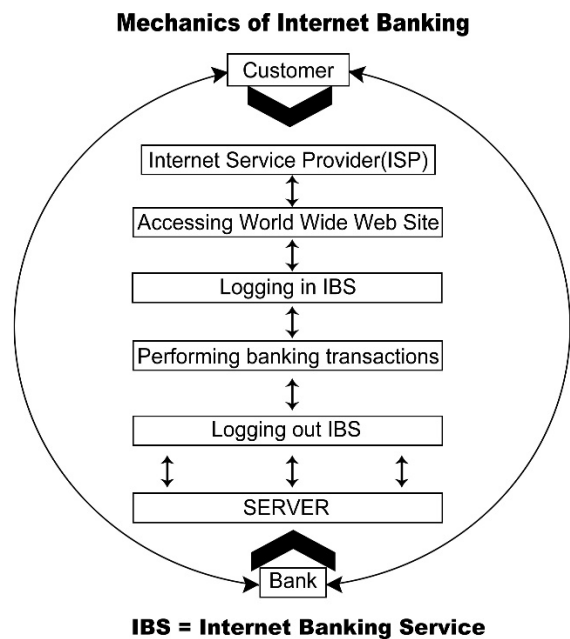
**12. Bill Payment service**

E-Banking facilitates it is payment of electricity and telephone bills, mobile phone, credit card and insurance premium bills as each bank has tie-ups with various utility companies, service providers and insurance companies, across the country.

**13. Trade securities**

This function, provided by Jordan banks, provides the authorized use of the site to purchase, redeem or exchange equity shares through the banks securities subsidiary. This function can be used to:

- Purchase trade securities from one’s bank’s funds by transferring money from an account
- Redeem fund shares via transfer into a deposit account
- Exchange shares between fund accounts
- Transfer from a brokerage account and a secondary



**14. Indian internet banking faces following challenges**

- ❖ **Proper understanding of the customer** – i.e. proper identification of their needs and wants.
- ❖ **Breach of privacy:** online transactions enter straightaway into the records revealing the identity of customer. Thus black money cannot be transferred with ease.
- ❖ **Bandwidth:** Though companies claim to offer good speed and high bandwidth, still there are problems in accessing high speed on net. Internet banking can go high only on the wings of proper infrastructure comprising telecommunications and bandwidth.
- ❖ **Customer has to be protected against being “net-jacked”** i.e he needs to be protected from fraud. Threats can be

### 15. Conclusion

All these developments in Indian banking show that, the Indian banks are marching towards modern banking and changing their traditional look. It is a grate change in banking industry because of information technology development. They are trying to utilize the information technology for banking business and provide technology based banking products and services to their customers. Indian banks also trying to Univerlisation of banking products and services to one stop banking shop for customer delight, but comparatively, private and foreign banks existing in Indian economy are having a higher level of modernization and also providing numbers of modern services to their customers.

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