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A STUDY ON ELECTRONIC BANKING SERVICES OF NEW GENERATION BANKING IN THE INDIAN BANKING SECTOR

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Abstract : Electronic banking has become an integral part of the global financial environment. Improvement in technologies and financial innovations has made E- banking is an intense part of the banking sector. Electronic banking also known as online banking , internet banking, digital banking, Digital banking or virtual banking is an electronic payment system that enables customers of a bank or other financial institutions to conduct a range of financial transactions through the financial institutions website undertaking banking transactions using computers, mobile phones an internet is called e-banking. It includes net banking, tele banking, mobile banking, core banking. Using internet e banking has made the banking transactions possible at any time and from anywhere. Through Electronic banking customer can check balance in his account, can make requisition for cheque books, can transfer fund from one account to another account, can make fixed deposits etc. Electronic banking has enabled fast and easy transfer of funds national electronic fund transfer (NEFT), real time gross settlement (RTGS), electronic clearing services (ECS) etc. Electronic banking is playing a major role that its improving the service quality and strengthens the banking sector because of electronic payment there is increase in customer satisfaction level increased productivity reduction in cost of banking operations settlement faster and in large volumes. The world has become a global village and it has brought a revolution in banking industry because of increasing in the development of information technology.

Keywords: Electronic banking, modes, expansion, historical background

1.0 Introduction

Electronic banking refers to use of technology and communication system to perform banking transactions electronically without visiting a bank. Banks are increasingly making use of electronic payments system for offering banking services at the door steps of the clients. The widespread use of technology, in banking operation has totally replaced the traditional system of confining banking activities to bank branches. Large scale use of information technology by banks has resulted in computerization of bank branches and their inter connectivity by way of safe and reliable networks. Digital banking activities refer to the delivery of bank's services to a customer at home or at office through electronic delivery channels. It is the use of electronic technology for transfer of funds cash receipts, payments etc. It is anywhere, anytime banking 24*7*365. Under Digital banking system, no physical exchange of money takes place. Every transaction is performed electronically using internet. Customers can perform different banking transaction such as balance enquires bills payments transaction histories transfer of fund without physically visiting the bank branch.

1.1 Objectives:

- To study about the historical background of E-banking
- To study about tools of E-banking
- To examine the impact of E-banking on the operations, payment and clearing system, in banking sectors.

1.2 Scope of the study

With the advent of liberalization policy and RBI's easy norms several public, private and foreign banks have entered in Indian Banking sector which has given birth to cut throat competition amongst banks for acquiring large customer base and market share. Banks have to deal with many customers and render various types of services to its customer and if the customers are not satisfied with the service provided by the banks then they will defect which will impact economy as a whole since banking system plays an important role in the economy of a country, also it is very costly and difficult to recover a dissatisfied customer. Since the competition has grown manifold in the recent times it has become a Herculean task for organizations to build loyalty, the reason being that the customer of today is spoilt for choice.

Retaining customers is a financial imperative for Indian banks, especially as attracting new customers is considerably more expensive than for comparable, traditional, brocks-mortar stores. Understanding how or why a sense of loyalty develops in customers remains one of the crucial management issues of the present day. In increasing competitive markets, being able to build loyalty in customers by increasing their satisfaction is seen as the key factor in winning market share and developing sustainable competitive advantage.

2.0 Research methodology

This paper is based on the analysis of the secondary data and the research proposes to throw light on the banking services of new generation banking in the Indian Banking Sector.

3.0 History background of Electronic banking

Electronic banking is the term that describes all transactions that take place among companies, organizations and individuals and their banking institutions. First conceptualized in the mid 1970s some banks offered customers electronic banking in 1985. However the lack of internet users, and cost associated with using online banking started growth. The internet explosion in late – 1990s made people more comfortable with making transactions over the users.

In India opening up of economy in 1991 marked the entry of foreign banks. They brought new technology with them. Banking products became more and more competitive. Need for differentiation of products and services was felt. In India ICICI bank kicked off online banking way back in 1996. But even for the internet as a whole, 1996 to 1998 marked the adoption phase, while usage increased only in 1999 due to lower ISP online charger, increased PC penetration and a tech friendly atmosphere. ICICI was the first bank to initiate the internet banking revolution in India as early 1997 under the brand name 'infinity'. At present time most new generation banks offers the same to their customers. In fact all major banks provide e- banking services to their customers.

4.0 Review of Literature:

Financial innovations lower cost of capital, reduce financial risks, improve financial intermediation, and hence welfare enhancing. The primary function of financial system is to facilitate the allocation and deployment of economic resources in an uncertain environment (Merton, 1992).

Financial innovation is helpful in ensuring smooth functioning and improves the overall efficiency of the system by minimizing cost and reducing risk. More generally, financial innovation has been a central force driving the financial system toward greater economic efficiency (Merton and Bodie 2005).

Avastini & Sharma (2000-01) have analyzed in their study that advances in technology are set to change the face of banking business. Technology banks in retail banking. It has also impacred the markets of banks. The study also explored the challenges that banking industry and its regulator face.

B. Janki (2002) analyzed that how technology is affecting the employees' productivity. There is no doubt, in India particularly public sector banks will need to use technology to improve operating efficiency and customer services. The focus on technology will increase like never before to add value to customer services, develop new products, strengthen risk management etc. the study concludes that technology is the only tool to achieve their goals.

Jalan, B. (2003), IT revolution has brought about a fundamental transformation in banking industry. Perhaps no other sector has been affected by advances in technology as much as banking & finance. It has the most important factor for dealing with the intensifying technology in Indian banks was very low. But both the researchers nicely presented their views.

Padhy, K.C. (2007) studied the impact of technology development in the banking system and he also highlights the future of hanking sector. The core competencies will provide comparative advantages. Competition & the rapid proliferation of financial innovations.

Mittal, R.K. & Dhingra, S. (2007) studied the role of technology in banking sector. They analyzed investment scenario in technology in Indian banks but this study was related to the time period before the Information Technology Act and at that time

J.Venkatesh and P.Periasamy (2006)3, in their study "Role of E-Banking in Emerging Scenario" state that the banking market which was largely controlled by the public sector banks, is now facing stiff competition from the foreign players and new generation private sector banks. The banking segment in India is witnessing revolutionary transformation and the core of this revolution is 'Concept Selling'. The future prospects therefore lie in strength bening the package of innovative banking services through technology. It is concluded that during 21st century, foreign exchange banking has undergone tremendous changes with the economic liberalization, especially in the last three years.

5.0 Modes of Digital Transaction:

Debit card: A debt card is payment card that deducts money directly from a customer's amount to pay for a purchase from anywhere and anytime debit cards eliminate the need to carry cash or physical checks to make purchase. This card can be used for withdrawing money through automated tellers machines (ATM) provided the card holder has the required balance in his account. The customer can make immediate payment of goods purchased or service availed by swiping the debit card and entering the personal identification number (PIN) of the point safe terminal.

Credit card: A credit card is a valuable financial tool that enables cardholders to purchases goods or services within prescribed limits from authorized retail/service outlets. Credit card is a type of overdraft facility in the cardholders. The credit card holder has to deposit the amount in his bank within a prescribed time after purchase transaction. It can also be used at ATM for withdrawing money. Credit card and debit card are also known is plastic money.

Automatic Teller Machine: An ATM is an electronic telecommunications device that enables customers of financial institutions to perform financial transactions such or cash withdrawals , deposit , transfer funds or obtaining account information at anytime and without the need of direct interaction with bank staff. Through ATM the customer can avail banking services on 24*7 basic from nearby ATM booth without visiting the bank. It provides easy access to banking facilities. ATM holder of any bank can operate his ATM card at his own banks ATM or at any other bank's ATM. The banks also provide online SMS alerts to cardholder for all types of ATM transactions irrespective of the amount involved.

National Electronic Funds Transfer (NEFT): It refers to a nationwide payment system facilitating one to one find transfer. Under these scheme individuals, Firms and corporate can electronically transfer funds from any bank branch to any individuals, firms or corporates having an account with any other branch in the country participating in the scheme. Individuals firms or corporates maintaining accounts with a bank branch can transfer funds using NEFT. Presently NEFT operates in hourly batches. There are twelve settlements from 8 a.m. to 7 a.m. on week days (Monday, Thursday, Friday) and six settlements from 8 a.m. to 1 p.m. on Saturday. However such remittances will be restricted to a maximum of Rs. 50000 per transaction.

Real Time Gross Settlement (RTGS): It refers to a funds transfer system when transfer of funds takes place from one bank to another on a 'real time' and on gross bases. Settlement in 'Real Time' means payment transaction is not subjected to any waiting period. The transaction on settled as son as these are processed. 'Gross' settlement means the transaction is settled on one to one basis without bunching or netting with any other transaction. This is the fastest possible money transfer system through the banking channel. The RTGS services from customers are available from a 9 a.m. to 4.30 p.m. on week days and 9 a.m. to 2 p.m. on Saturdays as per RBI guidelines. The RTGS system is primarily meant for large value transactions. The minimum amount to be remitted through RTGS is 2 lakh. There is no upper limit for RTGS transactions.

Electronic Clearing System (ECS): ECS is an alternative method for effecting payment transaction in respect of utility bill payments such as telephone bills, electricity bill insurance premium, loan repayments etc, which would obviate the need for issuing and handling papers instruments and thereby facilitate improved customer service banks/ companies/ corporations/ government departments viz collecting/ receiving the payment.

Core Banking: core banking is a banking service provided by a group of networked bank branches where customers may access their bank account and perform basic transactions from any of the member branch offices, core banking is often associated with retail banking and many banks treat the retail customers as their care banking customers. Business are usually managed via the corporate banking division of the institution. Care banking covers basic depositing and lending of money. Core banking functions will include transaction accounts, loans, mortgage and payments. Bank makes these services available access multiple channels like ATM, internet banking, mobile Banking and branches.

Mobile banking: it is on extension of net banking. In mobile banking, telecommunication devices are used for banking transaction. As the penetration of mobile phones in India is deeper than the penetration of computers, so mobile banking can take e- banking to the masses. Thus facilities are available 24 hours*7 days. There are various applications are available in mobile banking:

(I) Unstructured Supplementary Service Data (USSD): unstructured supplementary service data helps customers to link their mobile number and bank accounts and then to make payments. It was developed by National payment commission of India which is technology based services for feature phones through which customers needed to dial *99# and enter short messages for basic banking activities such as balance enquiry and generating mini statement.

(II) Unified Payment Interface (UPI): A UPI is a smart phone application which allows users to transfer money between bank account. It is single window mobile payment system developed by the national payment corporation of India (NPCI). It eliminates the need to enter bank details or other sensitive information each time a customer initiates a transaction. The UPI is a real time payment system. It is designed to enable peer to peer interbank transfer through a single two click factor authentication process. The interface is regulated by the RBI. It works by transferring money between two banks account.

(III) Immediate Payment Service (IMPS): IMPS is instant payments inter- bank electronic funds transfer system in India. Immediate payment service was introduced by NPCI in 2010. It is instant real times inter bank electronic fund transfer system of India through mobile phone. Unlike NEFT and RTGS the service is available 24*7 days throughout the year including bank holidays.

6.0 Conclusion:

Therefore we can say that banking services have expanded a lot in Digital banking. Electronic banking has made our life simpler and easier these days. All these development in Indian banking show that the Indian banks are marching towards modern banking and changing their traditional look. It is a great change in banking industry. Because of information technology for banking business and provide technology based banking products and services to their customers. Indian banks also trying to universalization of banking product and services to one stop banking shop for customers 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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