

THE ROLE OF ELECTRONIC BANKING IN THE DEVELOPMENT OF FINANCIAL INSTITUTIONS IN INDIA

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ABSTRACT

Electronic banking, in the development of banking in India is being taken seriously as it presents a mechanism of extending banking services to wider segment of people at a lower cost. It also encourages innovations, competition as well as employment in the various industries. As compared to other countries, e-banking growth and development is at the growing stage in India, as well as Government is also trying to change the mind set of customers in favor of e-banking. Several initiatives are being taken by the Government as well as Reserve Bank of India to facilitate the development of e-banking in India.

The purpose of this study is to compare India with other countries in the field of electronic banking. Although, India has emerged as one of the fastest growing markets in India but still lacking in the field of fiscal deficits, Curbing black money, tax collections and so on. Through this paper, we are trying to study the banking sector deeply so that it can be relived from the burden of non-performing assets and we can relax monetary policy and other benefits.

KEYWORDS: E banking, Monetary Policy, Non-Performing Assets, Black Money

INTRODUCTION

Indian Banking system is found from the Vedic period. Since ancient times, businessman has been carrying on the business of banking. The first bank of India was established in 1770 in Calcutta under European Management. It was liquidated in the year 1830-32. Then they established three Presidency banks named

- Bank of Calcutta in 1806; it was named as Bank of Bengal in 1809,
- Bank of Bombay in 1840,
- Bank of Madras in 1843.

But in 1921, all the above banks were amalgamated to form Imperial Bank of India and in 1955, this bank was nationalized and renamed as State Bank of India which is also the oldest bank of India that exist today.

Reserve Bank of India started its operations from April 1, 1935 onwards in accordance with the provisions of the RBI act 1934. Slowly with time, technology was improving. More and more innovations were being discovered. Banking industry was improving. The internet facility has totally transformed the world in term of managing.

E banking is one of the easy concepts given by the information technology sector.

DEFINITION OF E BANKING

E banking, also known as online banking or internet banking or virtual banking, is an electronic payment system that allows the customers of a bank or other financial institutions to conduct financial transactions through institutions website. Online banking is a part of core banking but is different from branch banking.

HISTORY OF E BANKING

E banking early version began in 1981. New York City was the first place in US who started this service to provide remote services by its major banks named Citibank, Chemical Bank and Manufacturers

Hanover. E banking gained importance in late 1980's. It was mostly used for paying bills.

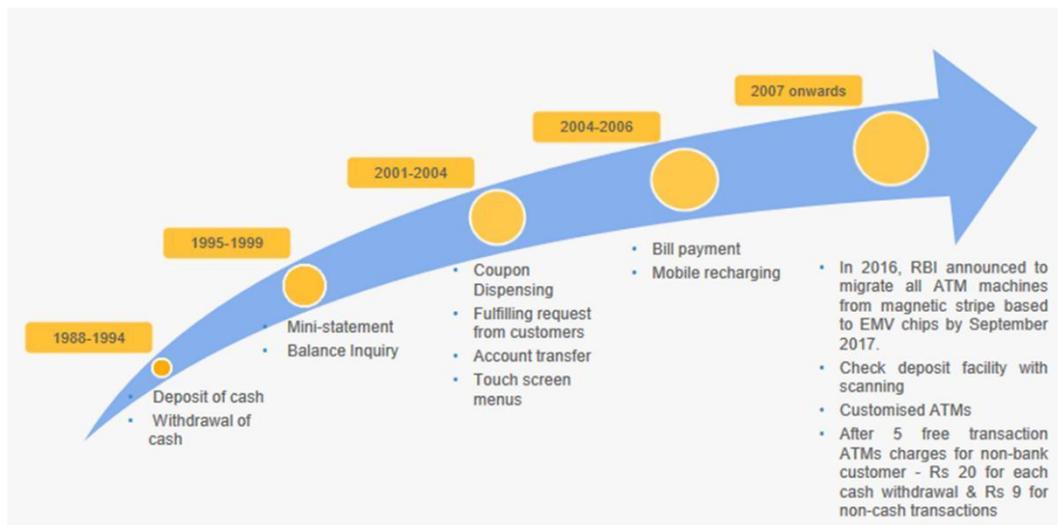
E banking in India came in 1991 with the entry of foreign banks. They bought new technology along with them. Banking products became more and more competitive and need for differentiation of products and services were felt.

ICICI was the first bank who kicked off the online banking in 1996. By 1998, two other private sector banks joined the ICICI. Government of India made IT act 2000 which was supposed to be followed for

the online banking. Slowly internet banking was approved by the bank's board as it fits into the bank's overall information technology and information security policy and ensures the confidentiality of records and security systems.

The policy lays down the procedure to be followed in respect of 'Know your customer' requirements and it is also compulsory to link aadhar card with the bank account.

When we have a look at the graph given below, we can easily find out how e banking gained its importance. Previously, it was used just to deposit cash and for its withdrawal. Then comes mini statements and balance inquiry. But people were still afraid using e banking because of the security reasons. By the dawn of 21st century uses of e banking increased. By the end of 2006, e banking was used for filling various types of forms, account transfers, bill payments and mobile recharge. By 2007 onwards, we became dependent of e banking as it saved time.



FEATURES OF E BANKING

- Easy electronic funding transfer facility
- Better efficiency in customer relationship management
- Making bill payments
- Introduces innovative banking products and services
- It can view balance of accounts and statements
- Balance and transaction history can be served
- E banking can bring doorstep services
- Payments can be done easily
- SMS banking services are available

WHY E BANKING?

E banking gives us ease in our life. We can differentiate the products from the others. Banks can be easily compared in terms of interest rates and we can choose accordingly. It gives us branchless banking which lessen the burden on bank branches and saved time can be utilized in inventing new ideas in this field. It increases the volume of banking transactions. One hard core reality is that around 40% of banking transactions are done between 6.00 pm and 8.00 am. Online banking also provides cost effective services to customers.

E BANKING PRODUCTS AND SERVICES

- It is offered in a two tier structure
- A basic tier of Internet banking products includes customer account inquiry, funds transfer and electronic bill payment.
- A second or premium tier includes basic services plus one or more additional services like brokerage, cash management, credit applications, credit and debit cards, customer correspondence, demat holdings, financial advice, foreign exchange trading, insurance, online trading, opening accounts, requests and intimations, tax services, e-shopping, standing instructions, investments, asset management services etc.

LEVELS OF SERVICES OFFERED IN E BANKING

E banking provides 3 different levels of services. They are:

- Information Only System: It provides general purpose information like branch location, interest rates, loans and deposit information etc are provided in this level. The communication is only through emails. There is no direct communication between the customer and banks application system.
- Electronic Information Transfer System: It provides the customer based specific information in the form of balance inquiry, transaction details and statement of accounts. It is read only format. Customer identification is done in this system. This information cannot be directly accessed by internet.
- Fully Electronic Transactional System: It follows bidirectional capabilities. This system requires high degree of security and control.

TOOLS OF E BANKING

Following are the tools of E banking:

- Automated Teller Machine
- Credit Cards/Debit Cards
- Smart Card
- Telebanking/Phone banking
- PC banking
- Mobile banking
- Wireless/ PDA banking

SERVICES OR TRANSACTIONS OF E BANKING

- Answering routine queries
- Bill payment service
- Electronic Fund transfer(ETF)
- Electronic Clearing System(ECS)
- Credit card customers
- Railway Pass Investing through
- Internet banking
- Recharging your prepaid phone
- Shopping

USAGE OF VARIOUS TOOLS

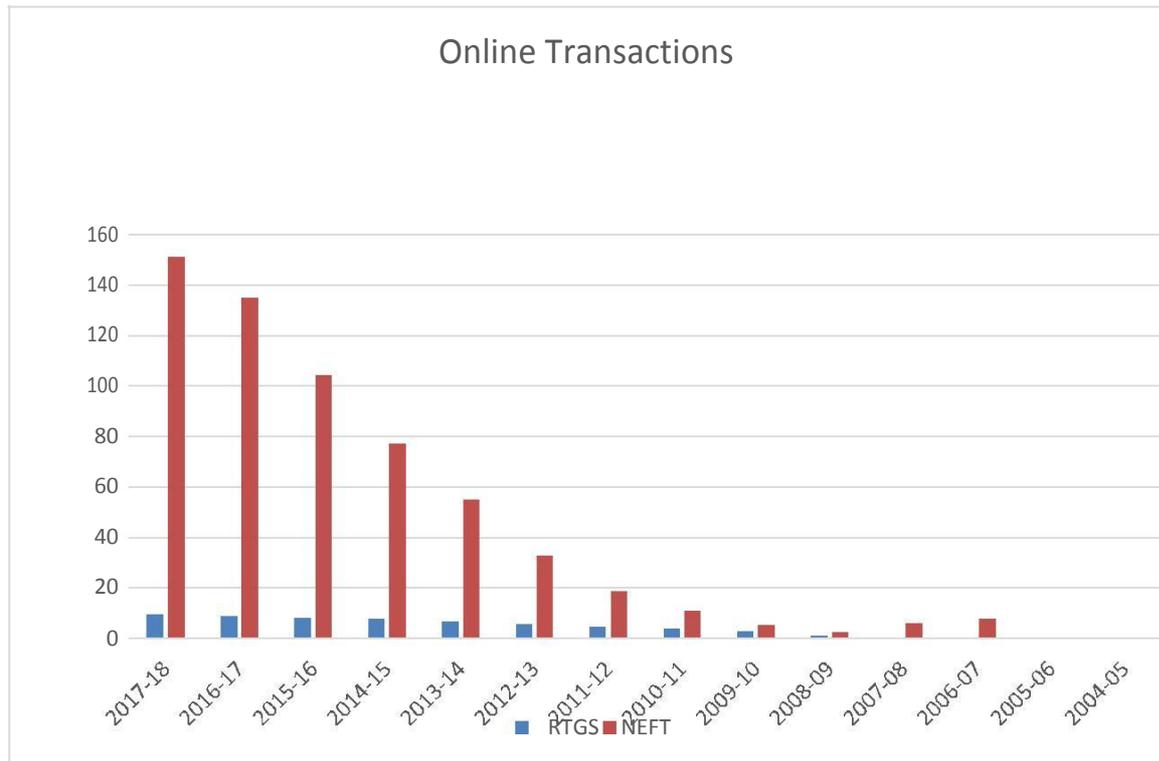
The table given below shows the uses of various tools in transactions in terms of volume (millions).

The increase in transactions can be seen after November 2016, we can consider it the effect of demonetization which carried us forward to less cash economy and soon as the sources say this we will be more dependent on e banking as the nation is forwarding to cash less economy.

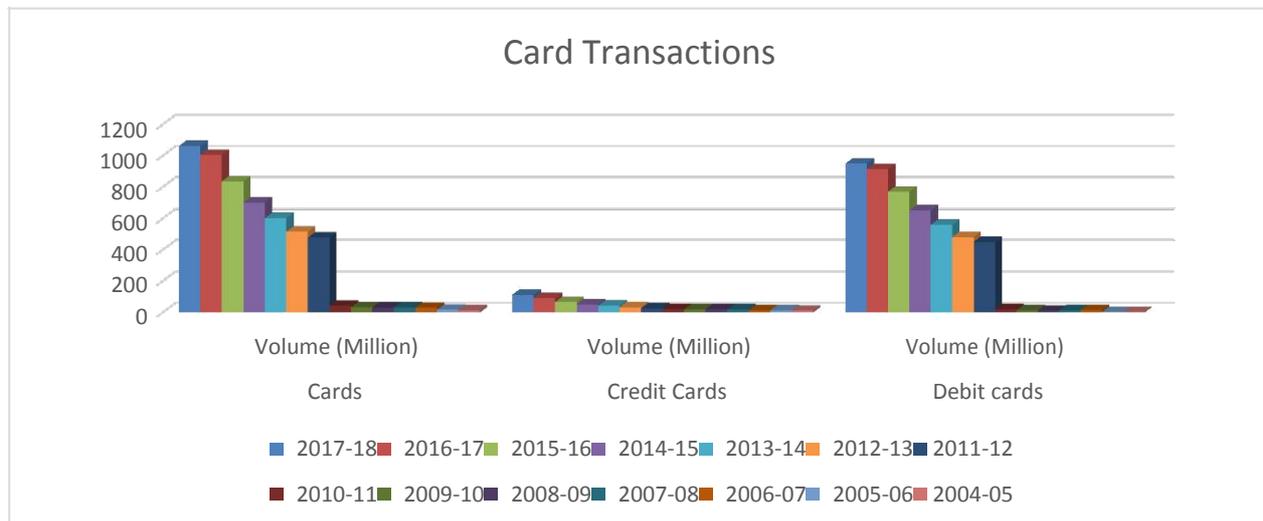
	RTGS	NEFT	Cards	Credit Cards	Debit cards	M-Wallets	PPI Cards	Mobile Banking
	Volume (Million)							
2017-18	9.71	151.46	1061.86	112.27	949.59	240.77	35.46	108.66
2016-17	8.99	135.17	1004.66	91.13	913.53	135.83	27.76	81.4
2015-16	8.2	104.41	836.56	65.97	770.58	50.33	11.96	32.46
2014-15	7.73	77.3	702	51.62	650.38	21.25	4.91	14.33
2013-14	6.76	55.08	601.59	42.67	558.92	8.96	2.13	7.89
2012-13	5.71	32.84	514.54	33.27	481.27	2.72	2.81	4.44
2011-12	4.59	18.84	477.63	26.85	450.79			2.13
2010-11	4.11	11.03	41.85	22.1	19.76			
2009-10	2.77	5.53	33.7	19.52	14.18			
2008-09	1.12	2.68	32.27	21.64	10.64			
2007-08	0.49	6.11	31.97	19.02	12.96			
2006-07	0.32	7.8	29.36	14.13	15.23			
2005-06	0.15	0.26	16.81	13.01	3.81			
2004-05	0.04	0.22	14.25	10.79	3.46			

Resource is RBI website

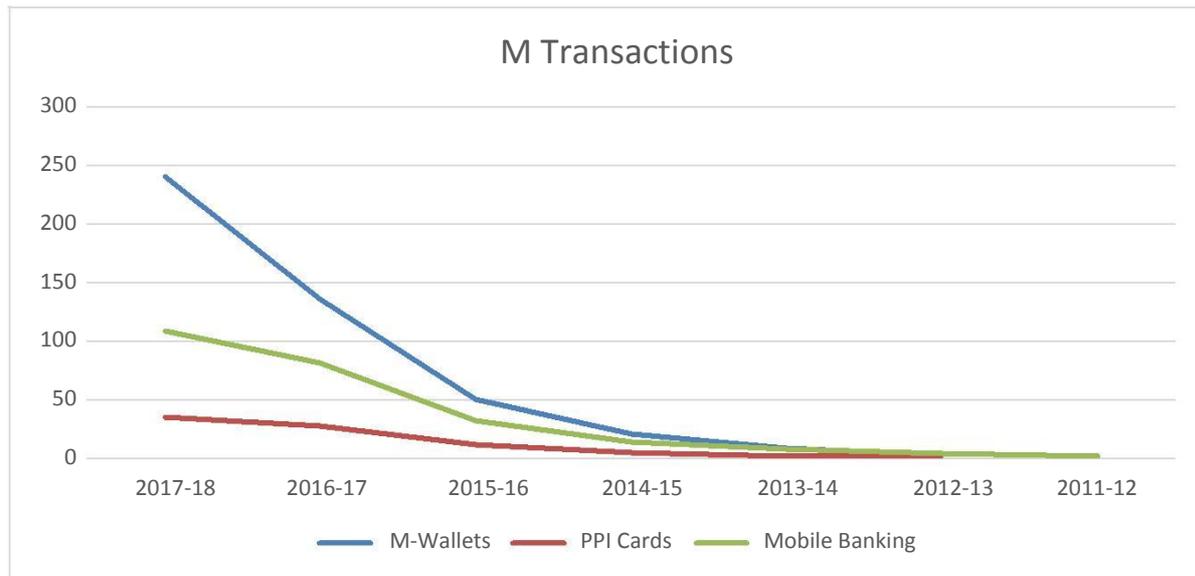
I have tried to divide the above table group wise in form of graphs.



In the above graph, we can see the sudden increase in 2016 transactions; it took time to gain trust from people but most of the time NEFT is done to pay the bills and also to pay the fees to institutions.



In the above transactions, Cards (both credit and debit) can be seen. Cards are used for many other purposes especially shopping and paying restaurant bills. It also includes ATM transaction cards.



Mobile banking is gaining importance in recent time, with cheaper smart phones and with cheaper internet rates. M wallets are an initiative for cashless economy. Many new reliable m wallets have been introduced like Paytm, Phonepe and many more. The lines are showing the increase in transactions.

ADVANTAGE OF E BANKING

TO BANKS

- Low cost
- Capability to cater large customer base
- Saves operational cost
- Reduction of burden on branch banking
- Speed banking
- Round the clock banking
- Portable banking
- Banks can offer a lot of personalized services to their customers

TO CUSTOMERS

- It is convenient.
- It isn't bound by operational timings.
- There are no geographical barriers.
- Services can be offered at a miniscule cost.
- Check your transactions at any time of the day, and as many times as you want to.

- Getting quarterly statements from the bank, transferring funds to outstation, and other such activities can be done free of charge through online banking.

THE ROAD AHEAD

There will be reduction in branches of bank as virtual banking people want to process more transactions on internet. There will be no physical boundaries to access banking services. Business Analytics and Artificial Intelligence (AI) has a potential to bring a major change. Robotics, enabled by AI, is expected to be the future game changer in the banks. Many private banks are planning to deploy Robots for customer service, investment advisory and credit-approval process to improve the services and be cost effective in the long run. Digital Banking will be the most preferred form of banking in the coming years.

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