IJCBM International Journal of Commerce and Business Management
Volume 6 | Issue 1 | April, 2013 | 138-140

A CASE STUDY

Scope and challenges of E-banking in India

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Received : *15.12.2012;* **Accepted :** *24.03.2013*

ABSTRACT

Electronic banking has been successfully adopted by developed countries and has been fully embraced by all the stakeholders active in the process. But developing countries are still lagging behind to fully embrace the benefits of e-banking. This paper explores the technical and legal factors impacting e-banking adoption in India. The research framework consists of two dimensions; technology and legal; to guide and constrain the scope of study. The findings are based on literature study of models and implementation experience of e-banking in India. The purpose of this study was to offer insights into the current e-banking adoption situation and its implications for e-banking growth in India as an example of a developing country.

KEY WORDS : E-banking, Internet banking, Online banking

How to cite this paper : Tayal, Shubham (2013). Scope and challenges of E-banking in India. *Internat. J. Com. & Bus. Manage*, **6**(1) : 138-140.

Electronic banking, an upcoming trend in today's commercial world is widely demanded by citizens, companies and various other organizations (Wall and Rees, 2004). The ease of use and availability has been the striving business drivers in this sector; that has led to this new revolution of electronic banking. With the increasingly complex methodology of commerce evolved over the information technology platform, serious concerns are also raised in various aspects (Johson and Turner, 2003; Hill, 2007).

Security of transaction has been in the limelight as a major concern among the e-bank's account holders. Due to the open nature of the Internet, confidentiality of data and integrity of the system and data are other emerging concerns among the end-users. Certain risks particularly governance, legal, operational, and reputational, that was inherent in traditional banking has been exacerbated to a large extend with the advent of e-banking world.

Internet banking has attracted the attention of banks, securities trading firms, brokerage houses, insurance companies, regulators and lawmakers in developing nations since the late 1990s. With the rapid and significant growth in electronic commerce, it is obvious that electronic (Internet) banking and payments are likely to advance. Researches show that impact of Internet banking on cost savings, revenue growth and increased customer satisfaction on industry is tremendous and can be a potential tool for building a sound strategy.

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E-banking or internet banking or online banking:

Online banking (or Internet banking or E-banking) allows customers of an Online banking (or Internet banking or E-banking) allows customers of a financial institution to conduct financial transactions on a secure website operated by the institution, which can be a retail or virtual bank, credit union or society. It may include of any transaction related to online usage.

To access a financial institution's online banking facility, a customer having personal Internet access must register with the institution for the service, and set up some password (under various names) for customer verification. The password for online banking is normally not the same as for telephone banking. Financial institutions now routinely allocate customer numbers (also under various names), whether or not customers intend to access their online banking facility. Customer numbers are normally not the same as account numbers, because a number of accounts can be linked to the one customer number. The customer will link to the customer number any of those accounts which the customer controls, which may be cheque, savings, loan, credit card and other accounts. It may include of any transactions related to online usage.

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Internet banking is used widely by masses, and has numerous benefits to offer. Nowadays, all banks provide online banking facility to their customers as an added advantage. Gone are the days, when one had to transact with a bank which was only in his local limits. Online banking has opened the doors for all customers, to operate beyond boundaries. Nowadays, people are so busy in their work lives, that they don't even have time to go to the bank for conducting their banking transactions. Internet banking enable people to carry out most of their banking transactions using a safe website, which is operated by their respective banks. It provides many features and functions to their customers, and enables them to view their account balance, transfer money from their account to another account (be it in their respective bank or any other bank).

In this procedure, many financial transactions can be carried out by simply utilizing a computer with an Internet connection. The necessary things that a person needs for using online banking are, an active bank account with balance in it for transactions, debit or a credit card number, customer's user ID, bank account number, the Internet banking PIN number, and a PC with access to the web. People using Internet banking are certainly benefited by the online services their respective banks are providing them with. The primary reason why it is so famous and mostly used is that, customers are allowed to bank at non-working hours. Banks create their banking interfaces and websites in a viewable and user-friendly manner, which enable customers to conduct their financial transactions with ease. If they are stuck in any process while performing their online transactions, banks have another helpful facility that is 'phone banking', wherein customers can call the bank's toll-free number and get assistance in completing their transactions. Electronic bill payment, viewing and downloading financial records, and money transfers are some of the general transactions which the customers generally carry out. All online banking services, provided by some banks, are free of cost.

Security:

As a bank we are used to thinking about security. The growth of the Internet has offered greater flexibility for us all, but it also brings new risks that must be guarded against.

There are various ways in which a fraudster may try to deceive you into giving them your personal and security details. They use these details to get access to your financial information with the bank and also set up payments out of your account into theirs.

Phishing E-mails involves an email message being sent out to as many Internet email addresses that the fraudster can obtain, claiming to come from a legitimate organisation such as a bank, online payment service, online retailer or similar. To avoid getting phished you should never respond to email messages that request personal or financial information and never click on a link in such an email.

Trojans are usually emails that may contain files, pages or attachments that you are asked to open. Once opened, they can secretly install a programme on your computer that can monitor your online activity, down to what keys you're pushing on what page.

This can mean the next time you enter your credit card details on your favourite online shopping website and the fraudsters will be alerted.

A recent scam involves someone offering, via an email or website, to pay funds into your account on the understanding you then transfer them overseas. In return, you supposedly get a commission.

Many of these scams involve the proceeds of fraud and you should ignore the request. Any customer that participates will become involved in a police investigation and we could close any account involved in this scam. If it looks too good to be true, it probably is a con or a Money mule.

This involves unsolicited letters and email messages offering the recipient a generous reward for helping to move a staggeringly large balance of funds.

Privacy:

Ensure that our computer is protected with the latest anti-virus and firewall protection software at all times. Download updates regularly to ensure that we have the latest protection. We should choose a password that is memorable to us but not easy to guess by someone else. Passwords that contain combinations of alpha and numeric characters are generally harder to guess (e.g. a7g3cy91). We should keep in mind not choose a password that we use for other services and our password should be unique to Internet banking. We should change our "Internet Banking Password" on a regular basis. And never disclose our Internet banking password to anyone..We should disable functionality on our computer or browsers that remembers logon details.

Trust:

More recently, factors related to security, trust, privacy and dispute resolution have been grouped under the term e-confidence. These are some of the fundamental players that influence the consumer acceptance and use of e-commerce. The approach towards establishing e-confidence can be divided into two categories: legislation and self-regulation. The establishment of laws relating to e-commerce has been relatively slow, due in part to a lack of understanding of complex legal problems, and in part to the belief that existing legislation on traditional (offline) commerce can still be applied or adapted to e-commerce. A number of e-commerce trust schemes dealing with these players have, nonetheless, been launched in the past few years, seeking to help establish e-confidence in a systematic manner within the self-regulatory framework.

On an e-market, a consumer will conduct a transaction when she has a sense of controlling the risks involved, having acquired an appropriate degree of trust and confidence. Trust and confidence do not occur by chance. They need to be systematically developed through a process of building, enhancing and maintaining. Trust and confidence evolve, they can grow or diminish, and are affected by the actions of the stakeholders.

Conclusion:

The banking industry in India is facing unprecedented competition from non-traditional banking institutions, which now offer banking and financial services over the Internet. The deregulation of the banking industry coupled with the emergence of new technologies, are enabling new competitors to enter the financial services market quickly and efficiently.

E-banking is a generic term for delivery of banking services and products through electronic channels, such as the telephone, the internet, the cell phone, etc. The concept and scope of E-banking is still evolving. It facilitates an effective payment and accounting system thereby enhancing the speed of delivery of banking services considerably. While E-banking has improved efficiency and convenience, it has also posed several challenges to the regulators and supervisors. Several initiatives taken by the government of India, as well as the Reserve Bank of India (RBI), have facilitated the development of E-banking in India. The government of India enacted the IT Act, 2000, which provides legal recognition to electronic transactions and other means of electronic commerce. The RBI has been preparing to upgrade itself as a regulator and supervisor of the technologically dominated financial system. It issued guidelines on risks and control in computer and telecommunication system to all banks, advising them to evaluate the risks inherent in the systems and put in place adequate control mechanisms to address these risks. The existing regulatory framework over banks has also been extended to E-banking. It covers various issues that fall within the framework of technology, security standards, and legal and regulatory issues.

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