

# PAPER ON E-BANKING

**MS. PREETI SHARMA  
LECTURER  
CBS, LANDRAN (MOHALI)**

## **INTRODUCTION:**

E-banking (Electronic Banking) or online banking means any user with a personal computer and a browser can get connected to his bank by bank website to perform any of the virtual banking functions. In internet banking system the bank has a centralized database that is web-enabled. All the services that the bank has permitted on the internet are displayed in menu. Any service can be selected and further interaction is dictated by the nature of service. The traditional branch model of bank is now giving place to an alternative delivery channels with ATM network. Once the branch offices of bank are interconnected through terrestrial or satellite links, there would be no physical identity for any branch. It would a borderless entity permitting anytime, anywhere and anyhow banking. The network which connects the various locations and gives connectivity to the central office within the organization is called intranet. These networks are limited to organizations for which they are set up. SWIFT is a live example of intranet application. Any customer apply can use number of facilities by e-banking. It can be Operative Account Statement D-MAT, VISA Transfer, Fund Transfer, RTGS, NEFT.Mobile Recharges, and Portfolio Management. The main objective of study is to know whether customer are aware about this facilities, how it more convient than branch banking ,what type of services are provided by banks and what are major problems faced by customer.

E-banking.

## **TECHNOLOGY UPGRADATION**

**FULL BRANCH COMPUTERISATION (FCBs):** All the branches of the Bank are now fully computerized. This strategy has contributed to improvement in customer service.

**ATM SERVICES:** There are 4633 ATMs on the ATM Network including 3181 ATMs of SBI and 1452 from the 7 Associate Banks and Subsidiaries. These ATMs are located in 1521 centre spread across the length and breadth of the country, thereby creating a truly national network of ATMs with an unparalleled reach. Value added services like ATM locator, payment of fees for

college students, multilingual screens, voice over and drawl of cash advance by SBI credit card holders have been introduced.

**INTERNET BANKING (INB):** This on-line channel enables customers to access their account information and initiate transactions on a 24x7, boundary less basis. 1994 branches, covering 555 centres, are extending INB service to their customers. All functionalities other than Cash and Clearing have been extended to individual retail customers. A separate Internet Banking Module for Corporate customers has been launched and available at 1305 branches. Bulk upload of data for Corporate, Inter-branch funds transfer for Retail customers, online payment of Customs duty and Govt. tax, Electronic Bill Payment, SMS Alerts, E-Poll, IIT GATE Fee Collection, Off-line Customer Registration Process and Railway Ticket Booking are the new features deployed.

### **NETBANKING FEATURES\***

#### **1. Credit card Payment**

Customers can pay their Credit card dues through this option.

#### **2. Statement Download**

The customers can download their account statement onto their PC for the period of 5 months from the given date.

#### **3. Change Customer profile**

The customers can update their mailing address and all their communication from bank will go to this new address.

#### **4. Funds Transfer**

The customers cant transfer funds between their accounts, even if they are in different branches/cities. The customer can also transfer funds to any person having a Bank account anytime, anywhere, using Third **Party Funds Transfer** option. To avail of TPT facility, customer will have to sign the declaration form, which is available on the Net or at any of the bank's branches.

#### **5. New Fixed Deposit Request\***

The customer can open a Fixed Deposit Account on the Internet. He will just have to give details regarding the account from which he/she wants to transfer funds, the amount and terms for the Fixed Deposit, the branch and the relevant maturity instructions.

#### **6. Fixed Deposit Inquiry**

The customers can access details of their Fixed Deposit Account such as Principal Balance, Term of Deposit, Rate of Interest, Maturity Date, Maturity Amount and Instructions for Payment.

### **7. Demand Draft\* Request**

The customers can issue a DD from their account at special rates. They will just have to select the account to be debited from and give the bank details of the amount, location and beneficiary. The bank will even have the Demand Draft couriered to the customer's mailing address. (DDs will be issued only where the bank has a branch or has an arrangement with a local bank).

### **8. Demand Draft Request at Beneficiary's address**

Net Banking offers a new facility to all its customers. The customer can issue a Demand Draft on the Beneficiary's name and address of his/her choice. He/she will just have to just select the account to be debited from and give the bank the details of the amount and beneficiary's name & address where the customer want the Demand Draft to be delivered. The Demand Drafts would only be delivered within India. (DDs will be issued only where the Bank has a branch or has an arrangement with a local Bank).

**Note:** 1) This facility is only open to users who have registered for Third Party Transfer (TPT).

### **9. TDS Inquiry**

the customer can access information on Tax Deducted at Source for all their deposits for the current or previous financial year.

### **10. Stop Payment Request**

The customer can request Stop Payment on a cheque or series of cheques online by just entering the cheque number and the reason for stopping payment.

### **11. Cheque Status Inquiry**

The customer can view the status of a specific cheque issued on any of his/her accounts.

### **12. Cheque Book Request**

The customer can request for a new cheque book online. His/Her cheque book will be couriered to the address on the bank's records.

### **13. Account Balance Inquiry**

The customer can check his/her savings or current account balance, including information regarding Unclear Funds, Ledger Balances, Overdraft Limits and Sweep-In Amounts.

### **14. Account Statement Inquiry**

The customer can view all the transactions on his/her account for either the current period (i.e. from date of last statement mailed to him/her), or a specific period determined by him/her/.

The customer can also request his/her statement via mail (mailing address will be as per bank

records).

### **15. Customer Support**

The customer can use this option to communicate with the Bank for requests, instructions and queries.

### **16. Demat on the NET**

If the customer also holds a Demat Account with the bank, he/she can now access his/her account online. Through Demat on the Internet, he/she can see his/her holdings as on the close of the last business day. He/She can view his/her your transactions for the last 7 days. Check the status of the shares submitted for Demat in the last one month. The bank will also provide the customer with an ISIN search and a calendar to know the various settlement details on various exchanges.

### **17. Direct Pay**

An option exclusively for Bank Net Banking customers, which allows online purchases in a safe and secure environment. Shop online at websites, which offer our Direct Pay facility, such as [Sify.com](http://Sify.com), [Fabmart.com](http://Fabmart.com), [VSNL.com](http://VSNL.com) and many more. Through Direct Pay, the customer's account would be debited and the merchant's/ website's account gets credited instantaneously.

### **18. BillPay**

The customer can pay his/her mobile phone, electricity and telephone bills through the Internet using the Bill Pay facility.

### **19. Security**

With Net Banking, the customer can carry out all his/her banking and shopping transactions safely and with total confidentiality. The entire system is secured, using the whole gamut of security architecture including firewalls, filtering routers, 128-bit encryption and digital certification. So the customer is absolutely sure that all his/her online transactions are safe and protected.

*\* New Fixed Deposit Request/DD Request will be processed only during banking hours on the next working day.*

**GOVT. BUSINESS:** Software has been developed and rolled out at 7785 fully computerized branches. Electronic generation of all reports for reporting, settlement and reconciliation of Govt. funds, is available.

**STEPS:** Under STEPS, the bank's electronic funds transfer system, the Products offered are eTransfer (eT), eRealisation (eR), eDebit (CMP) and ATM reconciliation. STEPS handle payment messages and reconciliation simultaneously.

**SEFT:** SBI has launched the Special Electronic Fund Transfer (SEFT) Scheme of RBI, to facilitate efficient and expeditious Inter-bank transfer of funds. 241 branches of our Bank in various LHO Centres are participating in the scheme. Security of message transmission has been enhanced.

**MICR Centres:** MICR Cheque Processing systems are operational at 16 centers viz. Mumbai, New Delhi, Chennai, Kolkata, Vadodara, Surat, Patna, Jabalpur, Gwalior, Jodhpur, Trichur, Calicut, Nasik, Raipur, Bhubaneswar and Dehradun.

**Core Banking:** The Core Banking Solution provides the state-of-the-art anywhere anytime banking for our customers. The facility is available at 574 branches.

**Trade Finance:** The solution has been implemented, providing efficiency in handling Trade Finance transactions with Internet access to customers and greatly enhances the bank's services to Corporate and Commercial Network branches. This new Trade Finance solution, EXIMBILLS, will be implemented at all domestic branches as well as at Foreign offices engaged in trade finance business during the year.

**WAN:** The bank has set up a Wide Area Network, known as SBI connect, which provides connectivity to 4819 branches/offices of SB Group across 306 cities. This network provides across the board benefits by providing nationwide connectivity for its business applications.

### **Who Can Apply**

All the customer need to access Net Banking is have a savings or current or fixed deposit account. Financial transactions can be made by savings account holders (with an either or survivor mandate), individual current account holders and sole proprietorship account holders. Now Kartas of HUF, Partnerships and authorized signatories of Partnership Concerns and Private Limited Companies can do financial transactions by filling up a special indemnity. The customer can download the form from website or contact your nearest branch.

### **REGISTRATION FOR NETBANKING**

If the person has saving or current account for bank, he/she can register for NetBanking by Calling Phone Banking if he/she has a Telephone Identification Number (TIN)

**OR** downloading an e-Age Banking form. The completed form can be submitted at the nearest branch.

The IPIN (password) will be mailed to the customer's correspondence address.

### **Research Methodology and Data Collection**

The Paper was mainly concerned with evaluating the performance of Internet Banking Services and finding out the scope of Internet Banking Services. And method used for Research methodology is Non-Probabilistic convenience sampling and the data used was collected from both primary and secondary sources.

**Primary Data:** The primary data collection was done through the observation.

**Secondary Data:** Secondary data was collected from the following sources:

- a) Books on Internet Banking
- b) Journals
- c) Bank Sites

### **Objective of Study**

- To study about E-Banking
- To know about Promises made by various banks
- To know about threats to E-banking
- To study about advantages of E-banking
- To know about various opportunities.

### **PROMISES OF INTERNET BANKING**

As the potential that the internet held to transform different aspects of our lives manifested itself, it was forecast that its impact on financial services such as stock-broking and banking would be especially profound. Banking transactions could be conducted entirely in a virtual context with no physical exchange necessary. Also transactions are to a large extent standard with little, apart from price, difference between banks. For both these reasons banking was especially well suited to use the Internet. It promised to create a perfectly competitive electronic marketplace for banking products- with perfect information about products; larger number of buyers and sellers; and reduced transaction costs.

### **1. No physical change**

Historically, as the means of payment substituted gold by paper currency and paper currency by plastic and finally plastic by direct debits, the information intensity kept increasing. In the case of buying physical goods online, a large portion of the value to the customer is derived only after the goods are physically delivered. The internet brings supplemental value by aiding the search process, making comparisons efficient and automating order placement and billing. On the other hand, in determining which bank to place a deposit with, not only can the search be done online but the actual product delivery (deposit booking) can also be affected online. Since there is high information intensity and no physical exchange, the internet as a delivery channel is responsible for delivering a large portion of the value for a customer. More importantly, the end-to-end process can be completed entirely online.

### **2. Reduced transaction costs**

Additionally various studies showed that as a delivery or distribution channel, the Internet could bring substantial cost advantages for banks. Consultants Booz-Allen & Hamilton estimated that whereas the cost of a customer walking into the branch and using a teller is USD 1.01 , the cost of conducting the same transaction on the internet is a tenth of that and is close to USD 0.10. This was also considerably lower than the cost of conducting the transaction over the telephone (USD 0.52) or having a customer visit an ATM (USD 0.27). Significantly, transaction costs over the internet are also lower than the cost of a customer accessing the bank over a dedicated telephone line using a modem.

The Booz-Allen study was quoted in many commentaries that described the impact of the Internet on banking included one by the United States Department of Commerce. There was a similar study on the costs of delivering banking services across different channels conducted by the IBM Consultancy Group. Although the absolute costs that they estimated for each channel were different from Booz-Allen , the message was the same- banking transactions on the Internet would cost banks a fraction of what a physical branch would.

\* reference: Singhal Sanjiv: TATA McGraw Hill Publishing Company Ltd. – Edition 2003

### **3. Double-edged Sword**

Reduced delivery costs and the absence of physical exchange is indicative of why the Internet held so much promise to turn banking upside down. In theory, physical branches

were not required and the transaction costs over the Internet were much lower. It was almost obvious that from a bank's perspective this was the way to go. However, the promise of the Internet was a double-edged sword.

While it held the opportunity to lower costs and do away with costly branches and staff, it also posed the threat of compressing profit margins by making it easier and more efficient for customers to search and get comparative information on the offerings of various providers. Another threat that loomed in the distance was that this new electronic marketplace for banking products would directly link the savers in the economy with the borrowers and ultimately diminish the role of intermediaries like banks.

### **3. Perfect Information**

One of the things that the Internet does extremely well is make perfect information available to all market participants by bringing about efficiencies in the search process. For buyers of banking services, there are sites that aggregate information on product offerings from different providers at a single location. By merely making information available to customers about multiple providers, these sites perform the function of dismantling the oligopoly of a few providers and bringing about a structure tending towards perfect competition. A good example of this would be E-loan, an online aggregator of loans. It allows potential borrowers to search and compare the offerings of thousands of providers. Obviously, this is something that a borrower cannot efficiently accomplish by walking around branches, researching product catalogues or calling.

Eliminating the agent's commission effects a further reduction in mortgage cost. As a further value addition to the client (and to the obvious detriment of the bank's profitability), E-loan monitors the mortgage over its life and continually alerts the borrower to cheaper refinance options. Perfect information would be available to the banks as well. The Internet makes it less likely that, for example, an individual could hide a bad credit history from prospective providers and beat the system by switching providers frequently. To that extent this superior information-set would enable banks to move away from portfolio-pricing, where good credits subsidise the bad ones, to a pricing structure that is based on the customer's credit history.

### **4. Reduced role for intermediaries**

One of the most successful companies on the Internet is eBay. It offers visitors the ability to participate in online auctions hawking everything from a used car to a perfume bottle collection. More than 60 million auctions have been completed to eBay on an average



basis set a new record of 1.782 million. For the first quarter of 2000, eBay generated net revenues of USD 85.8 million, a 100 % increase over the earlier year.

The likely reason for eBay's success is that it offers visitors an electronic marketplace that is tending towards perfect competition. This is achieved by two economic functions that eBay is providing. The first is aggregation of buyers and sellers and facilitating a search function. The second is bringing about efficiency in determining price that is enabled by the online auction mechanism which makes pricing transparent and also makes it dynamic since it is now driven by market conditions of 'demand and supply'.

An eBay online auction model applied to banking services could have a potentially devastating effect on banks. On the corporate banking side, the Internet could replace expensive teams of bankers whose job is to link the companies in need of capital with the providers of capital (and, in the process slice-off banking fees). By creating competition among the providers of capital, the Internet could help companies raise money at much finer spreads. Investment banks using the Internet such as WR Hambrecht have pioneered the use of online auctions to determine prices for initial public offerings (IPOs)

Hambrecht's trademarked OpenIPO is based on a Dutch auction system designed by Noble Prize winner economist Vickrey and allows individual and institutional investors to bid online for shares of an IPO. Participation is not based on who you know-qualified investor can open an account and place a bid. The auction treats all bids equally, whether from qualified individual investors or from a large institutional investor. The allocation is based on what the bidder is willing to pay rather than on the preferential treatment. This creates a market driven by supply and demand rather than influence or artificial demand.

#### **INTERNET ENABLED BANKING MODEL**

The new banking business model coalesces around the '6 Cs' which are summarized below.\*

<b>The 6 Cs</b>	<b>Traditional Model</b>	<b>Internet Enabled</b>

Cross-sell	Product Driven	Relationship driven value
Connectivity	Stand-alone	Connected
Channels	Few	Multiple
Consolidation	Low	High-across products and banks

\* Reference: Singhal Sanjiv: TATA McGraw Hill Publishing Company Ltd. – Edition 2003

## **THREATS TO THE BANKS DUE TO PHISHING**

### **Threats to E-Banking**

The first and foremost threat is loss of customer faith in technology. Such attacks could make customers shun e-banking and revert towards tradition brick and mortar banking. So, the banks will not be able to leverage the benefits from huge investments they have made for adopting technology. This threat thus spans the whole industry rather than any particular bank. Many a times banks have compensation policies for such cases where customer credit cards are used fraudulently using any of the techniques. If such attacks increase beyond a proportion the banks will lose control over the provisioning done for compensatory expenses. The bank may face lawsuits filed by customers under various legislatures like Privacy under IT Act 2000. There can be significant wastage of productive resources in handling such attacks and their consequences in the form of lawsuits etc. Another very important threat to banks is Reputation Threat. This is a threat which no bank can afford in today's competitive scenario. The ultimate threat is loss of business, profits, profitability and loss of customers.

## **BIBLIOGRAPHY**

### **Library Sources**

- 1. Internet Banking-The Second Wave: By Sanjeev Singhal,Tata Mcgraw Hill Publication , 2003**
- 2. Management Trends (A Journal of Department of Business Management)  
Article- Internet Banking by Kavita Kshatriya Sep 2004**
- 3. Indian Banking 2005 , The ICFAI University Press Publication**
- 4. The Journal of Internet Banking and Commerce ( Published by Array Development of Ottawa )**
  
- 5. International Journal of Business Performance Management 2002 (Published by InderScience publishers)**
  
- 6. The Small Business Guide to Internet Banking by – Ray Hurst**
- 7. Internet Banking Shopping for the Older Generation by ---- Greg Chapman**
- 8. Internet Banking :Strategies, Tools and Best Practices – by Mona Brewer  
(Published by Sheshunoff and Co.)**
  
- 1. Banking and Finance on the Internet (Internet Management Series ) by Mary J. Cronin  
(Published by John Wiley and Sons )**
- 2. Successful Web Portals in Retail Banking by--- Daniel Singer, Douglas Ross, Albert Avery  
(Published by --- Wiley)**

### **Internet Sources [www.sbi.com](http://www.sbi.com)**

**[www.hdfcbank.com](http://www.hdfcbank.com)**

**[www.icicibank.com](http://www.icicibank.com)**

**[www.firstib.com](http://www.firstib.com)**

**[www.nationalcity.com](http://www.nationalcity.com)**

**[www.netbanker.com](http://www.netbanker.com)**