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E-BANKING AND RECENT TRENDS IN INDIA

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Introduction :

In 1969, a landmark was registered in the Indian Financial Sector when 14 banks were nationalized by the centre. It is a matter of great pride to mention that during the economic meltdown in 2008-09 our Indian Bank stood firm and remained unaffected. This shocked the whole world as few banks of the developed nations crumbled down but Indian Bank stood strong and also witnessed many positive developments in this industry.

To improve the regulation in this sector several notable efforts were made by the policy makers i.e. The Reserve Bank of India. Ministry of Finance and other Government and Financial sector agencies. It must be appreciated that the banks are in a position to meet the demands of the customers and are also adding the economic development of the nation at large.

India's banking sector has made rapid strides in reforming and aligning itself to the new competitive business environment. Technology has swifty turned as a boon to the customers with technology the bank branches becomes only one of the many channels that are now accessible to customers for performing routine banking transactions.

The information technology has transformed the functioning of the businesses worldwide. It has bridged the gaps in the terms of reach and the coverage of system. It is also enable better decision making based on the latest and the accurate information. It has not only tried to reduce the cost but also tried its level best to improve the efficiency in the many new process. Products and services offered by the banks and the IT centres. Banks that employ IT solutions are perceived to be innovative and should be capable of satisfying the customers with their services.

The History of Indian Banking Sector :

The history of Indian banking can be divided into three main phases;

Phase I (1786-1969) : Initial phase of the banking in Indian when many small banks were set up.

Phase II (1969-1991) : Nationalization, regularization and growth.

Phase III (1991 onwards) : Liberalization and its aftermath.

With the reforms in Phase III the Indian banking sector as it stand today is mature in supply product range and reach with banks having clean, strong and transparent balance sheets. The major growth drives are increase in retail credit demand. Proliferation of ATMs and debit cards, decreasing NPAS due to securitization, improved macroeconomic conditions. Interest rate spreads and regulatory and policy changes (e.g. Amendments to the Banking Regulation Act).

Certain trends like growing competition, product innovation and branding. Focus strengthening risk management systems. Emphasis on technology has emerged in the recent past. In addition the impact of the base II norms is going to the expensive for Indian banks with the need for additional capital requirement and costly database creation and maintenance process. Larger banks would have a relative advantage with the incorporation of the norms.

Objectives of the Study :

1. The main objective of the study is to understand the recent trends in e-banking sector in India.
2. To understand banking sector.
3. To trace the utility of technology in a banking sector.

Research Methodology :

This research is based on the analysis of the secondary data and the research proposes to throw light on the emerging technology trends in banking sector.

Recent Trends in E-Banking Sector :

The Indian banking industry is not logging behind. It has started providing services electronically over the internet. These services rendered over electronic media include.

- Electronic Funds Transfer : EFT
- Shared Payment Network System : SPNS
- Credit Cards
- Real Time Gross Settlement : RTGS
- Automatic Teller Machine : ATM
- Electronic Clearing Service : ECS
- Electronic Data Interchange : EDI
- Tele Banking
- Phone Banking
- D-mat Accounts
- Investing through Internet Banking

Electronic Funds Transfer (EFT) :

Electronic funds transfer is a system of processing and communication of payment through electronic methods. EFT assumes greater significance in the banking system as the RBI also encourages the commercial banks to adopt this technique. Inter and intra bank transfer to funds are now made through this EFT mechanism. Transactions of high value i.e. at least more than one lakh is now made through this cost effective and quick system of settlement. Normally, payments are made through cash, cheques, drafts and credit cards. The latest in this process are the debit card system, charge, digital cash and electronic purse and soon.

Shared Payment Network System (SPNS) :

SPNS installed by the IBA in the city of Mumbai, enables electronic banking service like cash transactions extended hours of banking utility payments, cheques, point of sale facilities by the SPNS can go to any ATM linked.

Credit Cards :

These plastic card enable customers to spend whenever he / she wants within the prescribed limits and pay later. Debit card is a prepaid card with stored value where as credit card is post paid with fixed limits. It is seen that spending is higher through debit cards than with credit cards currently CITY bank and time bank have started with debit cards and now other banks are also following these to launch their own cards.

Real Time Gross Settlement (RTGS) :

Real Time Gross Settlement system introduced in India since March 2004 is a system through which electronic instructions can be given by banks to the transfer funds from their account to the account of another bank. The RTGS system is maintained and operated account within two hours.

Automatic Teller Machine (ATM) :

Automatic Teller Machine is the most popular device in India, which enables the customers to with draw their money 24 hours a day 7 days a week. It is a device that allows customer who has an ATM card to perform routine banking transaction without interacting with a human teller. In addition to cash with drawal. ATMs can be used for payment of utility bills, funds transfer between accounts, deposits of cheques and cash into accounts, balance enquiry, etc.

Electronic Clearing Service (ECS) :

Electronic clearing service is a retail payment system that can be used to make bulk payments / receipts of a similar nature especially where each individual payment is of a repetitive nature and of relatively smaller amount. This facility is meant for companies and government departments to make / receive large volumes of payments rather than for funds transfers by individuals.

Electronic Data Interchange (EDI) :

Electronic Data Interchange is the electronic exchange of business documents like purchase order, invoices, shipping notices, receiving advices etc. In a standard, computer processed, universally accepted format between trading partners. EDI can also be used to transmit financial information and payments in electronic form.

Tele Banking :

Tele banking facilities the customer to do entire non-cash related banking on telephone under this device automatic voice recorder is used for simpler queries and transaction for complicated queries and transactions manual phone terminals are used.

Phone Banking :

Bank on phone, provides easy access for customers to have large businesses through telephones. Data are exchanged over the phone regarding any queries to issue instructions on balance transfer, statement of account cheque-book stop payments, new schemes, interest rates, etc. At any convenience time and place. Tele banking has gone a long way in providing maximum customer satisfaction within the limited infrastructure.

D-mat Accounts :

Transacting shares business through electronic media is called D-mat. Investor opens an account called D-mat accounts with DPS. They get shares in electronic form. Then they send the actual shares to the investor. Investor pays for the opening maintenance and collection of shares. This has reduced the paper work, bad delivers, loss of shares and less transaction cost. However delays in demoting higher cost charged by the investor have not given a good start for the growth and scope of D-mat in India depository.

Investing through Internet Banking :

We can now open an FD online through funds transfer. Now investors with interlinked demat account and bank account can easily trade in the stock market and the amount will be automatically debited from their respective bank accounts and the shares will be credit in their demat account. Moreover, some banks even give you the facility to purchase mutual funds directly from the online banking system.

Advantages of E-banking :

There are some advantages of using E-banking both for banks and customers.

- Permanent access to the bank.
- Access any where using mobile or computer.
- Very safe and secure method.
- Helps to transfer the money immediately and accurately.

Disadvantages :

- A need for customers skill to deal with computers and browsers.
- Many people who are not comfortable with computers an internet, oftern find it difficult to use internet banking.
- For beginners, internet banking is really time consuming.
- In many instances, a simple mistake like clicking a wrong button many create a big problem.

Conclusion :

Indian banking system will further grow in size and complexity while acting as an important agent of economic growth and intermingling different segments of the financial sector. As banking in Indian will become more and more knowledge supported. Capital will emerge as the finest assets of the banking system. Ultimately banking is people and not just figures. To conclude it all, the banking sector in India is progressing with the increased growth in customer base, due to the newly improved and innovative facilities offered by banks. The economic growth of country is an indicator for the growth of the banking sector. The Indian economy is projected to grow at a rate of 5-6 percent of country's banking industry is expected to reflect this growth. The onus for this lies in the capabilities of the Reserve Bank of India as an able central regulatory authority, whose policies have shielded Indian bank from excessive leveraging and making high risk investment. By the government support and a careful re-evaluation of existing business strategies can set the stage for Indian banks to become bigger and stronger, there by setting the stage for expansions into a global consumer base. The long term success by only bank cannot be achieved without the development of new business ideas, innovative products and services and intense focus on customer retention.

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