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## **E-Banking System**

### **1. Introduction:**

The process of globalization and liberalization has virtually transformed the way of business across the globe. The technological innovation of improvements in the communication networking helped the banking sector activities through re-engineer its works. E-Banking is considered as an important input for rapid growth of economic development by providing mechanism of electronic inputs to the banking sector. E-banking is the banking of new era. The term Internet Banking or E-Banking Internet both are used as supplement. E-Banking system makes the banking transactions easy for the bankers as well as customers in the modern world where all persons are busy with their hectic schedule. In fact, banks have been using electronic and telecommunication networks for delivering a wide range of value added products and services. The devices have been telephone, personal computers including Automated Teller Machines (ATM).

### **2. Development of E-Banking System:**

The wind of globalization has affected each and every sector of its economy and entered into all the activities of the banking sector. Though the E-Banking system developed in the late '1980s and referred to the use of a terminal, keyboard and TV (or monitor) to access the banking system using a phone line. 'Home banking' can also refer to the use of a numeric keypad to send tones down a phone line with instructions to the bank. Online services started in 'New York' in 1981 when four of the city's major banks (Citibank, Chase Manhattan, Chemical and Manufacturers Hanover) offered home banking services using the videotex system, television system and telephonic system. The UK's first home online banking services were set up by the 'Bank of Scotland' in year 1983. The system (known as 'Homelink') allowed on-line viewing of statements, bank transfers and bill payments. In order to make bank transfers and bill payments. Though E-Banking system was more popularized amidst of the foreign countries later on in the early 1990's E-Banking system developed in India too and development was not possible without creating sufficient infrastructure or presence of sufficient number of users. The experience of ICICI Bank Ltd. and HDFC Bank Ltd. shows that the number of transactions carried out on the internet is very limited in India.

### **3. Meaning of E-Banking:**

E-Banking refers to electronic banking and it is an automated delivery of new and traditional banking services which provides electronic facility for business and commercial transactions to its customers. E-banking is the easiest way to carry out banking transactions in today's hectic schedule. E-Banking is also called as i.e. Internet Banking, Net Banking, Virtual Banking or Online Banking. E-Banking (or I-banking) means any user with a personal computer and a browser can get connected to his bank's 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. The fact is that many services that are now being offered with online banking are almost impossible to avail of in regular banking.

### **4. Services covered under E-Banking:**

E-Banking has numerous benefits to offer. Nowadays, all banks provide online banking facility to their customers as an additional advantage. Gone are the days, when one has 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. The popular services covered under E-banking include :-

- Automated Teller Machines(ATM)
- Credit Cards

- Debit Cards
- Smart Cards
- Electronic Funds Transfer (EFT) System
- Cheques Truncation Payment System
- Mobile Banking
- Internet Banking
- Telephone Banking

### **5. Problems While Using E-Banking Facilities:**

E-Banking system removes the traditionally geographical basis as it could reach out to all the customers of different countries and regions. The popularity of internet banking is growing rapidly as the transactions are becoming faster and more convenient. Internet banking is the latest development that has added a new dimension to banking transactions by making it more convenient, which has eliminated the long wearisome queues. But, there are some serious problems that a customer may encounter while banking through the internet, due to which many still prefer to go directly to the banks instead of availing this facility. There are certain problems of E-Banking system which are as follows:

- Computer and Internet knowledge is very much required for using the facility of E-Banking by the customer because of which limits number of persons willing to avail this facility. Therefore it is the major problem in the country like India where literacy ratio is low.
- While banking through the internet, you have to be careful about the security of your internet bank account. The security of your internet bank account depends to a great extent on the security of your computer, password and pin number. Any leakage of information regarding your password or pin number and banking transactions can allow computer hackers to gain access to your bank account, which is the most common internet banking problem. This can even lead to unauthorized and criminal transactions being conducted without your knowledge. By the time you get your bank statement and detect such transactions, it may be too late.
- Some proxy websites can easily access customer's bank account, if they can crack one's user name, password or pin number. Due to such security problems, many people are apprehensive about internet banking.
- Though E-Banking system saves the time of customers but it is very difficult to use this facility by customers who do Lack of trust on d machines provided by the banks may be another problem as there is no safety of money through online banking.
- Technical problems with respect to the computers and internet facilities may be one of the problems which must be taken into consideration.
- Customer is always in problem with respect to the security of its password, pin number and bank related information.
- Customer care service also does not provide accurate information always as numbers of transactions are increasing along with customers.

### **6. Advantages of E-Banking System:**

E-banking system has gained wide acceptance internationally and it can be considered as a remarkable development in the banking sector. In India also the things are changing fast and most of the banks are providing E-Banking services to their customers and there are many advantages of using E-Banking service to the customers which are as follows:

- Paying Bills Online is the major advantage to the customer's who can pay bills i.e. telephone, electricity, shopping, loans amount (EMI) and payment of tickets booking online.
- Time saving and easy to get information of bank account.
- Customers are no longer required to wait in those long and crowded queues of the banks to request a financial transaction or statement.
- E-Banking offers convenience to the customers as they are not required to go to the bank's premises.
- E-Banking provides monthly e-statement facilities to the customers which saves the time of bankers as well as customers.
- Low incidence of errors increases the number of users/customers of E-Banking which results in the great advantage.
- The customers can obtain funds at any time from ATM machines.
- The credit cards and debit cards enables the Customers to obtain discounts from retail outlets.
- Reduction in the administrative costs and paperwork related to the transactions. Besides, banks can also cater to the needs of thousands of customers at the same time. All these factors have

significantly increased the profit margins of commercial banks by lowering their operating costs.

- Transactions of transferring of funds from one person account to another person's account became much more faster and convenient both national and international level.
- Accessing bank account information at any day or any time irrespective of banks off working hours.
- Quickest way to check and see if a transaction has cleared your account. This can help you to find out the amount of a transaction after you have lost your receipt.
- E-Banking also allows customers to find out about unauthorized transactions of their accounts more quickly and to resolve the issues more quickly.

## **7. Disadvantages of E-Banking System:**

In today's cyber world where when people do not have much time even for their personal work, E-Banking appears as a boon. Internet banking has become very popular in the recent years, as it is quick and easy. Though E-Banking provides more advantages than traditional banking however, it has some disadvantages too which are as listed:

1. Setting up an account in the bank may take time though the E-Banking facility is provided by the banks.
2. Internet account of customer with an Internet Service Provider (ISP) which may be another hectic experience.
3. Banking sites can be difficult to navigate at first by the customers who do not have knowledge of computer and internet so getting acquainted with the banking sites software may require some time to read the tutorials in order to become comfortable in persons virtual lobby. There may be some difficulties to the customer for learning these activities of E-Banking.
4. Some alterations or changes made in the banks sites due to technological advancement may lead to a problem to customers who have to provide all the personal information once again through online transaction.
5. E-Banking is time consuming for the customers, though there is option of online transactions, in the end customers have to run to the ATM for withdrawing the cash.
6. No personal contact with any of the bank staff, and if talk to any bank staff through the telephone, there is no guarantee to the customers that they had talked with a right person or not.
7. "Hackers" who may access customer's bank account is the main disadvantage to the customers who takes E-Banking facility very casually.
8. Security concern is the important issue as cybercrimes activities are clutching up which decreases the number of customers to avail the benefit of E-Banking.
9. Technical breakdowns where online banking websites sometimes go down. If this happens then, if customer wishes to close his bank account then he will definitely go penniless.
10. Switching banks due to technical faults can be a major disadvantage of using E-Banking system to the customer.
11. Increasing online frauds and attacks i.e. Trojan horse (Remote Attacker) are a major disadvantage of using E-Banking.
12. However, in the case of Internet banking, one will find oneself making endless calls to the customer service department. There have been cases, where the person is put on hold or has been passed around from one person to another.
13. Hackers and crackers attack on the bank account of customer by stealing passwords or using fake credit cards to cheat a person which will cause loss to the customer's wealth.

## **8. Guidelines By Reserve Bank of India:**

Reserve Bank of India being the highest authoritative bank and main head of all the nationalized banks in India, had set up a 'Working Group on Internet Banking' to examine different aspects of Electronic Banking (E-banking). The Group had focused on three major areas of E-banking, i.e. (i) technology and security issues, (ii) legal issues and (iii) regulatory and supervisory issues. Accordingly, the following guidelines are issued for implementation by banks. Banks are also advised that they may be guided by the original report, for a detailed guidance on different issues. These issues can be defined as:

1. **Technology and Security Issues:** Banks should designate a network and database administrator with clearly defined roles as indicated in the Group's report. Banks should have a security policy duly approved by the Board of Directors. There should be a segregation of duty of Security Officer exclusively with information systems security and Information

Technology Division which actually implements the computer systems. Further, Banks should also adopt and implement some new policies relating to security check ups and should inform customers about new technologies concerning E-Banking.

2. **Legal Issues:** There is always an obligation on the parts of banks to keep the proper records of its customers manually as well as electronic. While opening an account of customer by internet a complete identification documents must be collected by the customer and a physical verification need to be done so that it will assist bank to avoid any legal risk. From a legal prospective, security procedure adopted by banks for authenticating users needs to be recognized by law as a substitute for signature. There must be strict rules regarding instructions by the customers for stop-payment and banks should clearly state the consequences in which stop-payment instruction could be accepted by the bank.
3. **Regulatory and Supervisory Issues:** Only such banks which are licensed and supervised in India and have a physical presence in India will be permitted to offer Internet banking products to residents of India. The products and schemes of the bank should be limited to the account holders only but not to the extra territorial jurisdictional account holders. Indian overseas banks must be permitted to offer internet services. A supervisory authority need to be appointed so that it will assist in avoiding any illegal transactions.

### **9. Risk Involved In Using E-Banking:**

E-Banking poses some different risks as compared to the traditional banking. These risks are more pronounced in the case of Internet banking. Firstly, the risk of technological changes has to be carefully watched. This is essential to update technologies and remain cost effective and customer friendly. The banks have to be careful about risks involved in agreements with third parties. The security is an important area of risk. In fact it will be very crucial for the expansion of Net Banking. Another important area will emerge out of cross-border implications as 'E- Banking' breaks the geographical boundaries. Imposing regularity conditions on such transactions will be a difficult task.

### **10. E-Banking Frauds:**

Fraudsters are continuing their switch from traditional card fraud to raiding online bank accounts. According to the new research Fraud losses on UK credit and debit cards totalled £440m in 2009 – a drop of 28% compared with the previous year – the UK Cards Association said. But the number of "phishing" attacks rose by 16% in the same period. This is when fraudsters trick people into entering their personal details on a website or in e-mails. As there is expansion in the illegal activities of the hackers, crackers and Trojan horse there must be a strict law to punish such criminals. Online frauds are very common nowadays because it is easy to access or to obtain password, pin code and account number of customers by hackers. Recently there is a case which is known as 'ICICI Bank Fraud Case' where Rs/- 150000 was stolen by the person's bank account and it was a heavy loss of money to the account holder though the complaint was filed by the account holder but banks are still silent on that issue as banks too have no idea how these activities are taking place.

### **11. Preventive Measures:**

As E-Banking is an important aspect for the bankers and customers as well, there must be some measures and policies which should be adopted by the banks before providing E-Banking facilities to the customers which can be taken as precautionary measure. A best preventive measure is that the account holder of the bank must be aware of increasing bank frauds and cybercrimes, and he should not give his password, pin number and credit cards number to anyone by using E-Banking facility. "As it is recognise that cards will always be targeted by criminals, so we are determined not only to continue to prevent, detect and deter those who are behind this type of crime, but also to make sure that innocent victims do not lose out,". There is always necessity that "Customers need to protect themselves on their computer, remaining vigilant and using good security software."

"A better-educated consumer is less likely to fall foul of phishing attacks" this saying has its own importance because consumer is the king with respect to the Indian trade and market but here while using E-Banking facilities a consumer need to be more careful of online frauds, so a consumer must take some necessary precautions while opting out for E-Banking facilities.

### **12. Conclusion:**

E-banking offers a higher level of convenience for managing one's finances even from one's bedroom. However, it continues to present challenges to the financial security and personal privacy. Many

people have had their account details compromised, as a result of online banking. Thus, if one is going to use it for financial transactions, he should be aware of the risks involved. Awareness of the risks and problems enables him to take precautions for a more secured online banking experience. E-Banking system is not only popular nationally but also internationally where a person can transfer money through any part of the world. E-banking system is useful for the bankers as well as customers of banks.

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