

A Study of Internet Banking & Its Uses in Indian Economy

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ABSTRACT

The financial services industry plays a key role in the economic development of our country. One of the major developments in the financial services sector over the last five years has been the launch of internet banking services. Internet banking is still at infancy stage in India. It provides the wave for the future. The advent of Internet has initiated an electronic revolution in the global banking sector. Increased competition, changing business environment and advancement in technology are the main factors that have forced the banking and financial institutions to change their pattern of work according to the changed scenario. That is the reason why internet-banking, online banking and web banking are came into existence. It saves the precious time and energy of customers as they don't have to wait in long lines in front of any institution to get their work done. It is easy as well as convenient. Due to internet-banking, the banks are enjoying numerous advantages like wider and deeper reach to the customers, quicker time to market, ability to introduce new products and services quickly, greater customer loyalty etc. Demand for financial services is changing rapidly and consumer behavior towards these things is also changing rapidly. Across the globe, countries have recognized Information and Communication Technology (ICT) as an effective tool in catalyzing the economic activity in efficient governance, and in developing human resources. Online banking provides a lot of benefits that adds to customer values with better quality offers and at the same time enable the banks to gain competitive advantage over their competitors. The changes in technology make the customers to cope with the changing environment. This study suggests that despite a high level of awareness of internet banking services, only a relatively modest proportion of customers use internet banking services.

KEYWORDS: Internet, Challenges, Customer, Communication

INTRODUCTION

Information technology development and communication network have opened a new horizon in front of markets and financial sections. Web Banking or Internet Banking is a term used to describe banking transactions that are performed via a secured Internet application. Web Banking transactions include such things as paying bills, transferring funds, viewing account statements and paying down loans and mortgages. Internet banking system allows the customers to operate their accounts at home with internet facility. Online banking saves the precious time and energy of customers as they don't have to wait in long lines in front of banks to get their

work done. It is easy as well as convenient to do transactions using internet services. Due to this banking, the banks are enjoying numerous advantages like wider and deeper reach to the customers, quicker time to market, ability to introduce new products and services quickly, greater customer loyalty etc. In the era of globalization and with the increasing competition in all the fields around the world many companies have modified their strategies so they can reach their customers around the world easier and cheaper.

Web-Banking org. provides an overview of Internet Banking. It discusses conventional and virtual banks, internet-banking services, Internet security and the cost/benefit considerations. It also acts as a great medium for the banks to endorse their products and services. The services include loans, investment options, and many others. Internet-banking is also used as an important tool in the economic development of the country.

The main reasons for the growth of internet banking are-

- **Anything:** internet-banking applications contribute to banking operations growth.
- **Anytime:** 24x7 service facility and high availability of internet-banking applications.
- **Anywhere:** easy internet access facility to avail banking services.

Different types of services provided by internet banking are-

Internet banking provides many types of services and products which are useful to consumers. These services help the consumers to easily get any information about their financial transactions. By using these services in an effective manner they can get many opportunities and benefits.

These are as follows:

- Mobile banking
- Electronic fund transfer
- Automatic teller machine
- Smart cards
- Telebanking
- Debit card
- Credit card

REVIEW OF LITERATURE:

E-payment is described as a means whereby banking businesses are transacted through automated processes and electronic devices such as personal computers, telephones, and fax machines, Internet card payments and other electronic channels Turban et al, 2006; Ozuru et al, 2010). The electronic communications used in Internet banking includes: Internet, e-mail, e-books, data base and mobile phones (Chaffey et al, 2006). Cell phone banking apart from Internet banking is considered the way of the future (Fisher – French, 2007; Masocha et al, 2011). The electronic delivery of banking service has become ideal for banks in meeting customers' expectations and building close customer relationship (Ching, 2008; Lamb et al, 2002). It is therefore, no doubt that e-banking will definitely overwhelm traditional banking in the near

future; since more developing nations seem to direct their focus on building up their infrastructure with specific attention on e-banking, e-commerce and e-learning (Kamel, 2005; Masocha et al, 2011). The growth of information technologies in the world has been phenomenal. Thanks to these technologies, banks are being able to reach their customers anywhere at any time (Barhate, 2014). (karimzadeh,alam,2012) suggests that decision makers should consider focusing on the trust, awareness, and confidence of users by enhancing security features, utilizing proper e-legislation, and the provision of digital receipts or a guarantee for every transaction in order to inspire greater confidence in users of such services and promote a culture of internet-banking usage across India. Internet banking started with simple functions such as real time access to information about interest rate, checking account balances and computing loan eligibility. However, these services have graduated to online bill payment, transfer of funds between accounts and cash management services for corporate organizations and individuals (Khan et al, 2009; Singhal and Padhmanbhan, 2008).

MCGregor (1987) in his study argued that management of spread, which is a potent tool for improving profit margins, could be achieved by maximizing net interest margin. The technique of spread management as shown in this analysis indicates the relationship between asset liability and costs. Shah (1992) in his study argues that bank profitability is linked with bank management, customer service and financial performance. He recommended that in order to improve profitability in a bank, emphasis should be laid on reducing costs, creating team spirit, improving the management and making the user pay for the cost involved in a service.

OBJECTIVES OF THE STUDY:

- 1) To find the reasons that why do individuals use internet banking.
- 2) To study the uses of internet-banking for customers and financial institutions.
- 3) To highlight the factors affecting the decision of users in adopting these kind of services in India.

RESEARCH METHODOLOGY:

The primary source of information in this research study is secondary data. The available magazines, articles, journals and the information available on different websites are extensively used for research study.

WHY DO INDIVIDUALS USE INTERNET – BANKING:

Online banking has become an accepted norm of monetary transactions for millions in India over the past decade. The ease with which a customer can check his account, make payments online and transfer money between accounts has made this mode of banking hugely popular among Indians who are perpetually short of time to visit the bank physically. There are several factors that influence a person's attitude towards the use of internet banking. These are demographic and socio-economic characteristics; prior experience with computers and technology; personal banking experiences, various attributes of internet banking etc.

These characteristics include age, gender, marital status, educational qualification, income, area of residence etc. These variables result in differences among individuals and these differences account for the varying choices that are made by these persons.

- **No line:** One of the things that most of the persons dislikes about banks is to wait in line to get their banking done. But with the use of online banking customers don't have to wait in rows because they can easily get any information about bank and money transactions of their accounts at their home and can save their precious time in getting other things done.
- **Mobility:** Internet banking has a step further in the last few years in the form of mobile internet banking which accords unlimited mobility to the customer who can now handle financial transactions even while on the move. Mobile banking is defined as the type of execution of financial services which the customer uses mobile communication techniques in conjunction with mobile devices. In other words, it means the usage of mobile telecommunication devices for carrying out banking and financial transactions.
- **Convenience in handling:** Sometimes there just isn't enough time in the day to get everything you need-to-do done, that's why convenience is one of the biggest advantages of online banking. Making transactions and payments right from the comfort of home or office at the click of a button without even having to step out is a facility none would like to forego. It is quite **convenient** as you can easily pay your bills, can transfer funds between accounts, etc.
- **Security checks:** Online banking provides security and safety to your bank accounts. It provides security with the use of different type of techniques and software mechanisms. Through Internet banking, you can keep an eye on your transactions and account balance all the time. This facility also keeps your account safe. This means you can monitor your account anytime and to get information about any fraudulent activity or threat to your account, before it put severe damage to your account.
- **Easily accessible rates:** The banks also stand gains with the use of internet banking as it means lesser efforts to do any kind of activities. To encourage internet banking most banks offer minimum or no deposit accounts for online banking and lower penalties on early withdrawal of Fixed Deposits.

FACTORS AFFECTING THE DECISION OF USERS IN ADOPTING INTERNET-BANKING SYSTEM:

Internet-banking in India is in its earliest stage of development. Most of them are basic services only the deregulation of internet-banking industry coupled with the emergence of new banking technology is enabling new competitors to enter the financial services markets quickly and efficiently. The major factors that affect the decision of users in adopting such kinds of developmental facilities in India are:

- **Structural assurances of the internet banking environment:** The smooth and secure processing of online transactions depends on the hardware and software as well as on the security of data exchange services using the cryptographic protocols that are used. The

lack of this security increases the uncertainty about the security and privacy of online transactions.

- **Trust in the physical bank:** Consumers do not have experience with the internet bank prior to its adoption, so they are likely to draw upon their trust in the physical bank to infer about the operations of the internet bank. Thus having high trust in the physical bank could lead the consumer to have high trust in adopting internet banking.
- **Legal issues:** An Internet bank is able to reach clients anywhere in the world, but there may be licensing requirements in certain geographic areas that can make Internet banking complicated. A significant legal issue for Internet banks is the possibility of clients using their accounts for money laundering. Information technology act provides security & legal frame work for e-commerce transactions. Information technology act or RBI suggested that criterion of Digital Signature Certification Board for authentication of electric records and communication with digital signatures.
- **Poor knowledge and awareness:** The main problem that banks faces is non acceptance of consumers. The people lived in rural areas have lack of knowledge about the use of internet-banking facilities. They don't know how internet-banking is beneficial to them. Most of the people in rural areas don't have the knowledge about the uses of internet. That's why banks face more problems in awaking the people about the benefits of internet-banking.
- **The ability to adopt global technology:** An adequate level of infrastructure and human capacity building are required before developing countries can adopt the global technology for their local requirements. Many corporate and consumers in some developing countries either do not trust or do not have access to the necessary infrastructure to be able to process e-payments. So banks have to consider these aspects and to give proper information about it to consumers.
- **High cost of technology:** When internet-banking system was first of all used its initial cost is so high. In addition to this oneself to do online activities is not so easy .it requires able and skilled staff to perform all the activities related to internet-banking. To keep maintenance of it many other components are also used like modem ,routers and other facilities. To manage this system some skilled persons are also needed to supervise all activities and functions.

CONCLUSION:

From the above study it may be concluded that the use of internet-banking is growing rapidly. Today most of the persons are using this facility to save their time and energy. There is a need of more efforts on the part of banks to use different techniques and methods to promote internet-banking facilities. Internet-banking provides many types of benefits to banks, consumers and other sections of society. One of the benefits that banks experience when using internet-banking is increased customer satisfaction. This due to that customers may access their accounts whenever, from anywhere, and they get involved more, this creating relationships with banks.

Banks should provide their customers with convenience, meaning offering service through several distribution channels (ATM, Internet, physical branches) and have more functions available online. Proper training programs should also be used. For online banking to reach a critical mass, there has to be sufficient number of users and the sufficient infrastructure in place.

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