Banking Operation B.COM IInd Semester Content Developed by

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**E- Banking**

**Introduction**

E-Banking,viz. Electronic Banking (also known as Virtual Banking, Internet Banking, and Online Banking) has been the tool of modern day’s banking in the digitalized world. Whenever the cash is withdrawn from Automated Teller Machine (ATM) or the debit/credit card is swiped via swipe machine, the transaction occurs through E-Banking. It is the use of electronic telecom network for banking product and services. Through E-Banking a banking customer can access his account, check his balance/transactions and may conduct the same using his mobile phone or computer system having an active Internet Connection.

E-banking basic advantage for the bank is cost saving and for the customersis banking convenience.

In old days, Banks had lots of paper work, queues, time consumption where the customers had to wait for several hours in lines for their banking transactions. Presently e-banking saves both energy and time of the customers as they don’t have to wait in banking queues and lines for performing their banking transactions. E-Banking has improved the market reach and introduced various products and services which made the e-banking really enjoyable. Customers like this service as it has no geographical limit, as they can make transactions from anywhere around the globe. Various MNCs, Business alliances had extended their market research limit because of the facilities and convenience provided by E-Banking.

**Definition**

“Electronic Banking is the electronic exchange of business transactions in the form of data signals that occurs electronically between the financial institutions or commercial union or between both.”

“Internet banking is a service that allows customers to access and perform financial transactions on their bank accounts from their web enabled computers with Internet connection to banks' web sites any time they wish. This paper describes a study about the major issues and challenges in the development of the electronic banking (e-banking) industry. This research shows that application of e-banking in India can help their local banks to reduce operating costs and provide a better and fast service to their customers”.[[1]](#footnote-2)

**Importance of E-Banking in the Indian Economy**

E-Banking has benefitted both customers and the banking institutions by providing them with convenience and customer loyalty respectively.

In India, after demonetization, E-Banking has played a major role in the improvement of the economy which has enabled the business companies, institutions, and other business entities to carry on their business transactions without the physical exchange of cash.

Indian Government implemented E-Banking services via following modes in order to make Indians go cashless and to make sure that the exchange of goods and services are carried with an ease. The modes are-

* **E-Wallet**

E-Wallet playing major role and has become a popular nowadays after demonetization. E-Wallet enables the users to perform transactions through their mobile, computers. Apps like Paytm, Phone Pay, Amazon Pay, Google Pay, etc. also provide the E-Wallet facilities to their customers.

* **UPI (Unified Payment Interface)**

UPI enables the customers to use their accounts from their mobile in order to send and receive money. BHIM UPI is the primary app introduced by the Government that connects all the third party apps for their UPI transactions.

* **Mobile App Banking**

Mobile App Banking is the most reliable and convenient way to access the internet banking services via android, iOS mobile platforms where most of the banks has provided the customers with their App in order to perform banking transactions.

**Modes of E-Banking**

There are various modes of E-Banking

* Online banking

Online Banking means usage of baking services via World Wide Web (WWW). Today anyone can use internet banking for exchange of goods, services, shopping and to avail banking services.

* Mobile Banking

Presently, India has the majority of the mobile users due to JIO’s special SIM Distribution Scheme. The mobile banking platform has enabled the users across the India to carry out the banking transactions, shopping, etc. with more ease and convenience. Mobile Apps such as BHIM UPI, Banking Apps, etc. has played a major role in Mobile Banking Trend in India.

* NEFT (National Electronic Funds Transfer)

NEFT started to function at November 2005. It is a facility provided to bank customer to enable them to transfer funds easily and securely via electronic message.

* RTGS (Real Time Gross Settlement)

RTGS is used for large value interbank transfer. The RTGS is widely used for domestic and overseas transactions. RTGS limits the systematic risk in inter-bank settlement risk in securities and foreign exchange transactions. Thus, working of RTGS is essential when considering the risk management in payment and settlement systems.

* E-Wallet

E-Wallet or Electronic Wallet enables the user to perform transactions through their mobile, computers, etc. E-Wallet is also provided by third party apps like Paytm, Phone Pay, etc.

* ATMs (Automated Teller Machine)

ATMs were first started in 1990 on the recommendation of the Rangarajan Committee especially at Railway Stations, Hospitals, Airports and important commercial centers

The customers are provided with an ATM Card and the PIN (Personal Identification Number) which is activated on the first time use, thus allowing the customer to withdraw cash anytime according to his requirement.

**E-Banking and Its Wonders amidst the problem of Covid-19**

The use of E-Banking services is proven to be very useful in the current COVID-19 pandemic situation keeping the transactions virtual and safe, and reducing the spread of COVID-19. The exchange of goods and services via E-Banking has not only reduced the health risk but has also maintained the use banking services during the pandemic.

**Advantages**

The advantages of E-Banking are-

1. **Bank Point of View**

* Minimal Transaction Cost.
* Low Percentage of Errors in banking transactions.
* Saves Paperwork
* Reduced fixed cost
* Improved long lasting relationship with customers.

1. **Customer Point of View**

* Convenience for Customers.
* Reduced time period for transactions.
* Removed the geographical limits.
* Minimum per transaction cost.

1. **Business Point of View**

* Better Productivity.
* Regulates supply chain, manufacturing and procurement system.
* Reduced Cost.
* Improved Market Research
* Better Employee-Customer relationship

**Disadvantages**

* Requires infrastructure and technological facilities.
* Risk in International Transaction.
* Implementation Issues.
* Compromises integrity, privacy and confidentiality of data.
* Security Risk.
* Risk of Money-Laundering.
* Other risks such as interest rate, liquidity, credit and market risk.
* Unavailability of technology among the poor.

**E-Banking Challenges: Conclusion**

At present world of globalization e-banking is essential for the development of financial institutions and banking sectors in order to solve the issues and challenges faced by the banking sectors.E-Banking has improved the Indian Economy in greater percentage. The unawareness of e-banking at present may take away the majority of liberty, privilege and convenience from the customers and will impact the banking sectors. The spread of awareness of e-banking among the customers especially among the poor is the major challenge faced by the e-banking sector, which may overcome by improved education, reduced poverty and increasing generations.

1. Q. **What is the Full Form of PIN?**

Ans. Personal Identification Number

**2.Q.What is the Full form of RTGS?**

Ans. Real Time Gross Settlement

3.Q. **What is the Full Form of NEFT?**

Ans. National Electonic Funds Transfer

4.Q. **Who cannot cross the cheque.**

Ans. Agent

5.Q. **IFSC Stands for**

Ans. Indian Financial System Code

6. Q. **National Electronic Funds Transfer (NEFT) stared functioning in the year**

Ans. 2005

7.Q. **What is the Full form of IMPS?**

**Ans.** Immediate Payment Service

8.Q. **EMI related to banking Finance stands for**

Ans. Equated Monthly Installments

9.Q. **What is the Full Form of SPNS?**

Ans. Shared Payment Network System

10.. Q. **What is the Full Form of EFT?**

Ans. Electronic Fund Transfer

11.Q. **What is the Full Form of ATMs?**

Ans. Automated Teller Machines.

12. Q.**What is the Full Form of SGH?**

Ans. Self Help Group

13.Q. **What is the Full Form of IFN?**

Ans. Indian Financial Network.

1. LileshGautam, Sanjeev Kumar KhareE-Banking in India: Issues and.; Sch J Econ Bus Manag, 2014; 1(2):54-56 [↑](#footnote-ref-2)