

## New Era of Banking: Internet Banking

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### ABSTRACT

We can't imagine without money and money transaction is derived from Banking Channel. The Banking sector is the most powerful sector in any country for the development of economic growth. The scope of Banking facility is very limited in traditional Banking, since 1991, the concept of LPG has opened up a new direction in Banking industry. The computerization of Banking Sector and introduction of online Banking mode has given a wide scope to use of banking facility anytime, anywhere. E-Banking is now very popular in the country, this facility is being extended by all commercial bank to their customers. The scope of banking activity is now extended to all corner of the country and all masses. The entire Banking industry is functioning on online Banking Platform, ATM, Tele-banking, Mobile Banking, Internet Banking are very popular mode of online transactions, which provides very faster services to the customers.

**Key words:** Net banking.

### Introduction

The service industries are mostly customer driven and their survival in competitive environment largely depends on quality of the service provided by them. In this context, quality of service furnished by banking sector is very important and profitability of their business is closely connected to the quality of service they render. Businesses seeking to improve profitability are, thus, advised to monitor and make improvements to their service quality on an ongoing basis. Technology plays a vital role in improving the quality of services provided by the business units. One of the technologies which really brought information revolution in the society is Internet Technology and is rightly regarded as the third wave of revolution after agricultural and industrial revolution.

Advent and adoption of internet by the industries has removed the constraint of time, distance and communication making globe truly a small village. Financial sector being no exception, numerous factors such as competitive cost, customer service, increase in education and income level of customers, etc. influence banks to evaluate their technology and assess their electronic commerce and internet banking (i-banking) strategies. Internet banking allows banking from anywhere, anytime and is used for transactions, payments, etc. over the internet through a bank, a credit union or society's secure website. So, basically, in i-banking a client has one-to-one interaction with the bank's website, and in such a situation it is essential on the part of bank to provide high

quality services over the internet. So, in contrast to traditional banking, i-banking involves non-human interactions between customers and online bank information system. New Era in banking sector involve paperless and crowd less Banking. This platform is also provides green channel counter facility. Customer satisfaction, customer retention and new customer acquisition are the key factors in i-banking system. This becomes more important since the acquisition costs in online banking exceed that of traditional offline business by 20%–40%. The transaction cost in i-Banking is very low compared to cost involved in traditional Banking. Providing i-banking is increasingly becoming a ‘need to have’ than a ‘nice to have’ service. The i-banking, thus, now is more of a norm rather than an exception in many developed countries due to the fact that it is the cheapest way of providing banking services.

Internet banking is a new delivery channel for banks in India. The i-banking channel is both an informative and a transactional medium. However, i-banking has not been popularly adopted in India as expected carried out a study to find the i-banking adoption by the banks in India. The study suggests that larger banks or banks with younger age, private ownership and lower branch intensity possess high probability of adoption of this new technology. Banks with lower market share also perceive i-banking technology as a means to increase the market share by attracting more and more customers through this new channel of delivery.

However, the service quality in i-banking from customers needs thorough analysis to find out the determinants for success and growth of new channel of delivery in India so that useful guidelines for bankers can be extracted. To this end, this study aims at

determining the service quality of banks operative in India with regards to i-banking and identifying the important parameters crucial for service quality from customer’s perspective. The study also explores the importance of parameters across the demographic profile of the respondents.

### **Development of i-banking in India**

The financial reforms that were initiated in the early 1990s, the concept of LPG that is privatization and the globalization and liberalization measures brought in a completely new operating environment to the banks. The bankers are now offering innovative and attractive technology-based services and products such as ‘Anywhere Anytime Banking’, ‘Tele-Banking’, ‘Internet Banking’, ‘Web Banking’, etc. to their customers to cope with the competition. The process started in the early 1980s when Reserve Bank of India (RBI) set up two committees in quick succession to accelerate the pace of automation of operations in the banking sector. A high-level committee was formed under the chairmanship of Dr. C. Rangarajan, then Governor of RBI, to draw up a phased plan for computerization and mechanization in the banking industry over a five-year time frame of 1985–1989. The focus by this time was on customer service and two models of branch automation were developed and implemented. Having gained experience in the earlier mode of computerization, the second Rangarajan committee constituted in 1988 drew up a detailed perspective plan for computerization of banks and for extension of automation to other areas such as funds transfer, e-mail, BANKNET, SWIFT, ATMs, i-banking, etc. The Government of India enacted the Information Technology Act, 2000 (generally known as IT Act, 2000), with effect from 17 October 2000 to provide legal recognition to electronic transactions and

other means of electronic commerce. RBI had set up a 'Working Group' on i-banking to examine different aspects of i-banking. The Group had focused on three major areas of i-banking such as (1) technology and security issues, (2) legal issues and (3) regulatory and supervisory issues. RBI had accepted the recommendations of the 'Working Group', and accordingly issued guidelines on 'Internet banking in India' for implementation by banks. The 'Working Group' has also issued a report on i-banking covering different aspects of i-banking.

Internet banking in India is currently at a nascent stage. While there are scores of companies specializing in developing i-banking software, security software and website designing and maintenance, there are few online financial service providers. ICICI bank is the first one to have introduced i-banking for a limited range of services such as access to account information, correspondence and, recently, funds transfer between its branches. ICICI is also getting into e-trading, thus offering a broader range of integrated services to the customer. Several finance portals for provision of non-banking financial services, e-trading and e-broking have come up. Commercial applications such as Electronic Bill Presentment (EBP) and Procurement systems may not be introduced in India immediately, but are likely to have a greater impact than the retail applications. The corporate sector is adequately computerized and has already recognized the important role of e-commerce in future. Increasingly, companies are setting up websites even where there are no immediate tangible benefits to them from doing so.

### **Status of i-banking in India**

In Indian context, many publications throw light over the importance of i-banking and

also its prospects for the Indian banking industry. Unnithan and Swatman (2001) studied the drivers for change in the evolution of the banking sector, and the move towards electronic banking by focusing on two economies, Australia and India. The study found that Australia is a country with internet-ready infrastructure as far as telecommunication; secure protocols, PC penetration and consumers' literacy are concerned. India, by comparison, is overwhelmed by weak infrastructure, low PC penetration, developing security protocols and consumer reluctance in rural sector. Although many major banks have started offering i-banking services, the slow pace will continue until the critical mass is achieved for PC, internet connections and telephones. However, the upsurge of IT professionals with growing demands is pressuring the government and bureaucracy in the country to support and develop new initiatives for a faster spread of i-banking.

Online banking to reach a critical mass, there has to be sufficient number of users and the sufficient infrastructure in place. Various authors have found that i-banking is fast becoming popular in India. However, it is still in its evolutionary stage. By the year 2006–2007, a large sophisticated and highly competitive i-banking market will develop. All the banks operating in India are having their websites, and Majority banks provide transactional i-banking. A survey carried out by Malhotra and Singh (2006) shows that only 48% of the commercial banks operating in India as on March-end 2005 offers i-banking. The recent study reveals that all commercial are providing i-banking facility including RRBs and co-operative Banks.

In India, comparatively less number of studies has been conducted on the current status of i-banking and customer satisfaction compared to other countries. Thus, there is a

lot of scope for the research to present new ideas concerning i-banking in India which may be useful to the Indian banking industry. There are a series of papers that observe that i-banking has revolutionized the banking industry and the banking industry is under pressure to offer new products and services. However, to succeed in today's electronic markets a strategic and focused approach is required.

### Profile of Internet Usage

The role of internet is becoming inevitable to corporate and society. Across the world, governments and corporate are increasingly working towards the better utilization of the internet. The internet which was initially perceived as a communication media is now metamorphosing into a powerful business media.

According to the Internet & Online Association of India (IOAI), the Indian internet population is currently over 25 million and is expected to grow to 100 million by 2007 (Survey by New Media Review, 2005). In July 2005, Internet World Stats reported that there were 39,200,000 internet users in India representing 3.6% of the population. (Internet World Stats, August 2005). The latest survey reveals that more than 10 % of the populations are using i-banking facility. Even with millions of web users in its cities, the internet penetration rate for India remains well below 5%. Despite India's technology outsourcing power, the country's internet penetration rate is low. JuxtConsult, a research firm based in New Delhi, surveyed urban internet users in April 2005 by talking to 30,000 Indian web users about their lifestyle and their web use. There are about 17.5 million urban dwellers in India who use the internet consistently with an additional 5.2 million who use it occasionally.

Among the urban users surveyed by JuxtConsult, about one half are involved in business in some way, and students make up 20% of the total. Three out of four users have a car and 50% have a credit card. Urban internet users in India by occupation in April 2005 (as a % of total) are as follows:

- Senior executive: 22%
- Junior executive: 22%
- Student: 20%
- Self-employed: 10%
- Businessman/industrialist: 03%
- Small businessman/traders: 03%
- Housewife: 02%
- Other: 18%.

Thus, in India, slowly but steadily, the Indian customer is moving towards i-banking. A number of banks have either adopted i-banking or are on the threshold of adopting it. The banks started i-banking initially with simple functions such as getting information about interest rates, checking account balances and computing loan eligibility. Then, the services are extended to online bill payment, transfer of funds between accounts and cash management services for corporate. Recently, banks have started to facilitate payment of e-commerce transactions by directly debiting bank accounts or through credit cards. It will add to the revenues of the bank.

### **i-banking and Service Quality perspectives**

The definition of quality is contextual one and differs from person to person. In general, the quality is basically classified into five categories, viz. transcendent, product led, process or supply led, customer led and value led. The definition of service quality is based

on customer-led quality definition where quality is defined as satisfying customer's requirements, relying on the ability of the organization to determine customers' requirements and then meet these requirements.

Basically, service quality in i-banking can be viewed from two perspectives:

- Customer perspective
- Bank perspective

### ***Customer perspective***

From the perspective of the customer, the service quality differentiates sought quality and perceived quality. Sought quality is the level of quality customers explicitly or implicitly demand and expect from service providers. The sought quality (customer expectations) is created due to several factors – primarily, the expectations are formed during a previous personal experience of a customer with a service, and the customer is influenced by the experiences of the other users and by the image of an organization. Perceived quality means the overall impression a customer has and experiences about the level of quality after service realization. The potential difference between the sought quality and the perceived quality gives the service provider an opportunity to measure customer satisfaction based on formulating the precise and actual criteria according to which the customers are assessing the services.

### ***Provider's perspective***

From the provider perspective, there are target quality and delivered quality. The focus of process- or supply-led quality definition is rather internal than external, and it is defined as conformance to requirements. It lays emphasis on the importance of the management and the supply-side quality, and there is an important role of the process in

determining the quality of outcome. Achieving the quality of conformance between the planned (target) quality level and the real quality delivered to customers depends on the service quality management system in an organization.

### **Conclusion**

On introduction of core Banking Solution in the Bank, i-Banking can be possible. The new initiative gives various benefits to the customers as well as Banking sector. The customer can make Banking transaction anytime and anywhere, customer need not go to the Bank, not to stand in long queue but he/ she can easily access online Banking Portal with their user id and password. On the other side The Banking industry will get a very low cost of operational transaction, paperless Banking. Since , 1993 introduction of computerization in Banking sector all commercial have extended i-Banking facility of ATM, mobile Banking, internet Banking, tale Banking to their Customers in foreign country are rarely visited for their routine tractions on the contrarily our Banks are still crowdie. However the uses of i-Banking will reduce the crowd in the Bank the customers are now well acquaint with i-Banking facility and uses of i-Banking is enhanced to the large extent. The use of Internet Banking can be possible for individual as well as corporate Clint can make the payment of various types of payment including various taxes, bills through i-payment mode. According to this article i-Banking Facility has open the new era of Banking industry and the Banking industry will survive on i-Banking facilities.

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**Try not to become a man of success but rather to become a man of value. Instead of telling people what to do, go and do it first and then speak. I have had more than a few people tell me that they were going to do something, and they never did. It doesn't leave a good impression.**

**~ Albert Einstein**