



## Internet Banking Problems and Prospects

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### Abstract

*Banks today operate in a highly globalized, liberalized, privatized and a competitive environment. In order to survive in this environment banks have to use Information Technology. IT has introduced new business paradigm. It is increasingly playing a significant role in improving the services in the banking industry. Electronic banking has emerged from such an innovative development. In India e-banking is of fairly recent origin. The traditional model for banking has been through branch banking. Only in the early 1990s there has been start of non-branch banking services. The good old manual systems on which Indian Banking depended upon for centuries seem to have no place today. The credit of launching internet banking in India goes to ICICI Bank. Citibank and HDFC Bank followed with internet banking services in 1999. Several initiatives have been taken by the Government of India as well as the Reserve Bank to facilitate the development of ebanking in India. The Government of India enacted the IT Act, 2000 with effect from October 17, 2000 which provided legal recognition to electronic transactions and other means of electronic commerce. The Reserve Bank is monitoring and reviewing the legal and other requirements of e-banking on a continuous basis to ensure that e-banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability.*

**Keywords:** eBanking, Business Paradigm, Retail Banking.

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### Introduction

In traditional banking for any type of banking transactions, first the customer has to go in person to the branch, then to the particular counter. For example if he wants to know the balance in his savings account he has to approach the clerk and give his passbook. With the passbook, the counter clerk will access his account and tell him the balance. Then the customer has to do all other formalities such as filling up the challan or cheque depending upon his transaction and again he has to submit all in the concerned counter. Finally the transaction will be done. For all these things the customer has to spend minimum 20 to 25 minutes in the bank. Whereas through the Internet banking the customer can simply complete the work in 2 minutes with the corporate ID, user ID and password. The customer need not go to the bank at all. Simply he can access his account from his PC or from browsing centers by using the PIN number given to him and can do whatever transaction he wants to do. This is all due to the impact of technology and usage of customer friendly products.

Internet banking is done through Internet without going to the bank physically. Simply a customer can log onto the Internet and check his bank balance,

transfer funds between accounts, pay his bills, request for cheque book, buy a CD, a book or even a car, place a trade, check out his portfolio etc. The major comfort in Internet banking is the accessibility to the customer's account from anywhere and at any time. Similarly many other facilities such as telephone bill payment, bill settlement between buyer and seller, opening of account, statement of account, issue of DD, cheque book request, opening of term deposit, purchase of Demat share, loan against demat share etc. could be easily done through Internet banking.

Simply Internet Banking is the channel for handling your account transactions from your desktop with a PC and Internet connection. Today Indian banks are going for the retail banking in a big way. Throughout the country Internet banking is in the initial stage of development. Now almost all banks in India started developing Net Bank Services. In India, Internet banking is a new born baby that is growing fast.

### Internet Banking – Functions

The major functions of the Internet banking channel are:

1. View accounts status, balances, transactions, etc
2. Transfer funds across your accounts and to other accounts.
3. Make credit card inquires, Online Purchases and payments.
4. Make utility bill payments.
5. Customize your accounts.

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6. Make requests for cheque book etc.
7. Write to your accounts manager.
8. Check the account and make a print of the statement.
9. Receive Bank alerts.

Initially to avail the services of the Internet banking channel, the customer should have a PC (Personal Computer), a telephone link, a modem and arrangement with one of the Internet provider. But of late all the major banks in the world are putting up home page on the Internet. In the home page the banks puts up the services available along with the details about the bank for the benefit of the customers. So the customer

can access the bank round the clock, from their home, office, while on the move (mobile banking) or from any other place where the connectivity could be established. The services generally available are like enquiry about the status of the account, downloading statement of account, ordering remittance etc. In all these cases the customers generally log into the website of the bank to download the information. For customers, Internet banking provides 24 hours access to an account, allowing them to pay the bills, to categorize income and expenses to produce cash – flow reports, to print whenever they want.

**Table I.** List of banks offering Internet Banking services in India:

Bank Of Allahabad Canara Bank Corporation Bank Indian Overseas Bank Federal Bank ICICI Bank	Bank of Baroda Centurion Bank Cosmos Bank Punjab National Bank HSBC IDBI	Bank Of India Citibank Dena Bank Standard Chartered Bank HDFC Indian Bank
State Bank Of India Thane Janta Sahakari Bank Union Bank Of India Vysya Bank	State Bank of Mysore The Catholic Syrian Bank UTI Bank	Syndicate Bank UCO Bank Vijaya Bank

*Source: Secondary data*

**Challenges for the Internet Banking Channel**

**Cost excavation:**

The major problem in implementing Internet banking is the cost excavation. If the project cost is not properly calculated the actual cost may overshoot by 100 to 300% some of the areas that cause cost surprise in project implementation are product software cost structure and professional service charges. The cost structure in any project from a vendor will have 3 components,

1. There will be a onetime license fee which the vendor will charge you
2. Annual maintenance fee which will cost you 10 – 20% of the software cost
3. Professional service charges

Since the project is expensive, to face the cost, the bank will automatically rest the burden on the heads of the customers by means of various types of service charges. Those service charges are not in general affordable by a common man.

**Lack of awareness among the customers:**

Another problem that is faced by the banks

offering services through the Internet is the lack of awareness among customers. The customers are not aware of the Internet banking options, functions, usage mode and so on. Sometime the customers are not even aware of the existing facility of Internet banking that is available in the bank in which they hold their account. Even after providing a welcome kit that has the detailed information about the facilities of the bank, facilities for the account holders, how to utilize those facilities and many other details, very few customers go through them.

**Lack of adequate facilities for the customers:**

This is one of the biggest challenges that are to be faced by the banks offering online Internet banking services. Most of the customers who belong to the middle class income group cannot afford to buy a PC and connect the PC to the net world. Though now computers are a part of every home, it is yet a fact that it is not fully fledged to that extent. So those customers who lack in such facility need to go to the browsing centers which will be a costly affair compared to the customers visit to the bank branch itself.

### **Non – availability of internet banking services experts:**

This is another problem in the banking sector that is a hindrance to the growth of the Internet banking channel. There are employees who can assist the customers of how to login and access their accounts yet that is not sufficient to solve the problems faced by the customers. If the customer is facing a problem all of a sudden when he is logged in, he will be in a state of confusion. Though 24 hours Helpline is available for the customers to assist them in any kind of a banking transaction, it may not serve the exact purpose as most of the time it is an automated response made by the system, in the case of the Internet banking queries.

### **Security Issues:**

In general “security” is the most important issue of online banking. There is dual requirement to protect customer privacy and protect against “fraud.” Online banking via the World Wide Web provides an overview of Internet commerce and how company handles secure banking for its financial institutions, clients and their customers. A multilayered security architecture comprising fire walls, filtering routes, encryption and digital certification ensure that your account information is protected from unauthorized access.

1. Firewalls and filtering routes ensure that only legitimate internet users are allowed to access the system.
2. Encryption techniques used by the bank would ensure that privacy of data flowing between the browser and the infinity system is protected.
3. Digital certification procedures provide the assurance that the data you receive is from the infinity system.
4. Internet being a hacker’s paradise, the customer’s accounts need to be main tained in a secured environment. This can be done through proper login procedures.
5. Another major concern is the integrity of transaction. The server containing the data base of the customer needs to be kept in a secured environment. Hacking of the data will be detrimental both to the bank and the customers. Bank should follow suitable standards for this purpose.
6. The other equally important concern is non – repudiations of the transaction by the customers. The customers should not disown a transaction put through by them. The banks can overcome this by building a suitable certificate authority. The banks can themselves take up this work or engage outside agency for this purpose.
7. Another issue in Internet banking is the problem of maintaining privacy especially when an account is accessed through from the public place, for example, Internet café. Most of the Internet access programme leaves trace of transaction on the

system in the form of history files. Once a customer logs out, these traces or history files need to be deleted. A small programme called cookies generally does this, and this is downloaded from the website when a customer login.

### **Suggestions to the Banks**

1. To avoid the cost excavation problem a fixed charge for professional service can be provided, where the banks can pay the amount of standard cost for installation of the system to the service provider that is applicable and standardized to all banks. Additional costs can be paid for the extra facilities needed by the banks, as they prefer.
2. Measures should be taken to create awareness in all parts of the country especially in thickly populated areas, banks where there are frequent account handling customers, facilities that are available for promoting the Internet banking channel, etc.
3. To create awareness among the customers, advertisements on the benefits and usage of Internet baking must be given.
  - i. With regard to the adequate facilities, more number of browsing centers at accessible areas can be suggested. The banks can improve the connecting speed to the web page, so that delays in connections can be reduced avoiding irritation to the customers.
  - ii. Internet banking service experts can be appointed exclusively for taking care of the customers who avail Internet banking services. A special consultant or expert can be appointed for all branches of the bank or necessarily for the regional offices who can assist all the branches coordinated with. It’s initial recruitment and training cost may be slightly high but it will reap good returns in future.
  - iii. The customers must be assured of the secrecy maintained by ensuring the standards and environment created for protecting the transactions at the time of giving the ID and Password itself.

The customers can be provided with the following additional information that puts a focus on the customer’s mind that the Internet banking is a safer platform:

1. Personal Security Information
2. Encryption
3. Timing Out

### **Suggestions to the Customers Availing Internet Banking Services**

#### **Keep your Personal Security Information secret**

Do not disclose this to anyone else, don’t write

it down or send any part of it in an e-mail. If you suspect that someone knows your Personal Security Information you must telephone the Customer Contact Centre immediately and inform them to cease the use any of the services.

#### **Ensure that no one else sees you logging in**

As you would do when using an ATM, you need to ensure that if you access the service (even at home) where other people are present, then no one is able to acquire your Personal Security Information by observing your logon procedure. This is especially important if you are accessing the service via PC at work or in an Internet Café.

#### **Never leave your computer unattended if logged in**

Although you can spend as much time connected to the Home Banking Service as you wish, please remember that you must not leave your computer unattended whilst you are connected to the service, to ensure that no-one else accesses your accounts. Always remember to log out of the service.

#### **Check the details of when you last accessed your accounts**

Whenever you log on to the Home Banking Service a message will appear giving you details of the last time you accessed your accounts. If this information gives you cause for concern you should telephone the Customer Contact Centre immediately

#### **Check your connection is secure**

When accessing via the Internet a padlock will appear in the bottom corner of your screen. This indicates that the secure connection is in place.

#### **Dispose of account printouts carefully**

If you print off any details whilst using the service, please treat them as confidentially as you would do to your normal bank statements because they contain a lot of information, which is private to you.

#### **Digital Signatures and E-Banking**

When you are able to sign vital documents using your mouse, you can do it with digital signatures too. But this requisites the ability to store vital electronic documents in a safe place and the assurance that the documents are delivered securely. For example, Safe deposit box allows you to upload important electronic documents — PDF files, spreadsheets, Word documents and deliver it safely to the bank. The legal ramifications of Internet banking need to be considered as well. In India, there are no restrictions on Internet banking activity, but supporting legislation has not been drafted yet. Banks are waiting for the government to wave the green flag before they can offer full-feature Net banking. The lack of protection for transactions done through a Personal Identification Number, unlike the signature on a check, which is protected under the Negotiable

Instruments Act, is another deterrent.

#### **Conclusion**

After liberalization and globalization, the Internet banking is rapidly capturing the place of traditional banking. So to withstand in the banking and financial industry, banks should opt for Internet banking services. Now a day banking has become a business and the services are the products. Latest trend in banking business is buyer's market. Buyer, the customer is expecting the door step service that could be possible only through Internet banking. So implementation of Internet banking services in all banks is very essential.

Banking industry in India is facing unprecedented competition from non traditional banking institutions that now offer banking and financial services through Internet. This is due to liberalization policy of the central government. Under new economic reform policy, deregulation in the banking industry is implemented. The deregulation of the banking industry coupled with the emergencies of new technologies enable the new competitors to enter the financial services market quickly and efficiently.

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