

An outline of E- Banking regime of Indian Government

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ABSTRACT

Retail electronic payment framework has altogether upgraded and received in various nations over the globe. India has likewise grasped E-banking broadly. Reserve Bank of India in its announcement has define the objective to support electronic installments with a dream to accomplish a goal of cashless economy. The establishment of National Payments Corporation (NPCI) which was done in the year 2009 has set a platform for upgrade of retail electronic installments which in turn gives gigantic chance to continue to move towards paperless, cashless and less money society. The research uses secondary sources of data to get an overview of developments in banking sector. The paper is a descriptive research which attempts to study the E-Banking regime of Indian Government. It points out developments that occurred in past and tries to develop a roadmap to future of banks in India.

Key words: E- Banking, Indian Banking, future of banking

1. INTRODUCTION

The financial plan of action is experiencing a change in outlook. As India progressively coordinates with worldwide monetary markets, the undeniable trends are clearing the Indian financial industry. Now a days the World is moving towards on E-Banking i.e. banking that is innovation & IT Technology driven from the era of mass banking. The process of Computerization which is moving swiftly which has become need of an hour of the consumer along with a stiff competition among various Indian Banks is making the overall banking sector progress advantageously every day.

In this unique and liquid business condition, innovation is unmistakably rising as the key separates and pre-imperative for endurance and accomplishment in the electronic -age. Banks in

India are additionally backsliding that vital improvement of Information Technology must be the foundation of development and Profitability. As spreads proceed to decline and hazard keep on rising, rivalry escalates and clients become additionally requesting, different money related items continue combining, and web and internet business acquire totally new dangers and openings. Banking is about data – Information using a risks associated with loan, Liquidity,marketing, etc. data any of them can change primary concern.

Data prompts better investigation of cost/income/benefit drivers and prepares the banks to react to needs of market. Banking guarantees unwavering quality of the client's database and electronic ledgers. Information Technology is additionally required for banks to know which heading it will be right course whenever required and what exactly leaps are probably going to come up data its development way. The objective of Information Technology methodology is that it gives the innovation capacity and adaptability which is necessarily required for accomplishing the corporate goal of an Indian banks.

Anthony Rohiwink (1991) elaborates that how banks are using Information Technology for their competitive advantage. According to Anthony, “technology advances have made home, office and telephone banking more effective and efficient as a means of selling and delivering products, and these channels are gradually gaining more acceptance among customers. At the same time, the rapidly rising costs of operating a physical branch network particularly information terms of staff and premises are making this traditional channel less attractive. Such development are changing the relative competitive advantages of various distribution channels. They can thus pose a major threat to established competitors with extensive branch networks while creating specific opportunities for new entrants to improve their competitive position with respect to this success factors”.

2. RESEARCH METHODOLOGY

2.1 Objective of the study

The pivotal and sole objective of the study is to get an overview of E- Banking regime of Indian Government

2.2 Scope of the study

The study includes development of banks in India. It attempts to study past and future of banking sector. The special focus of research is E-banking services offered by banks.

2.3 Secondary data

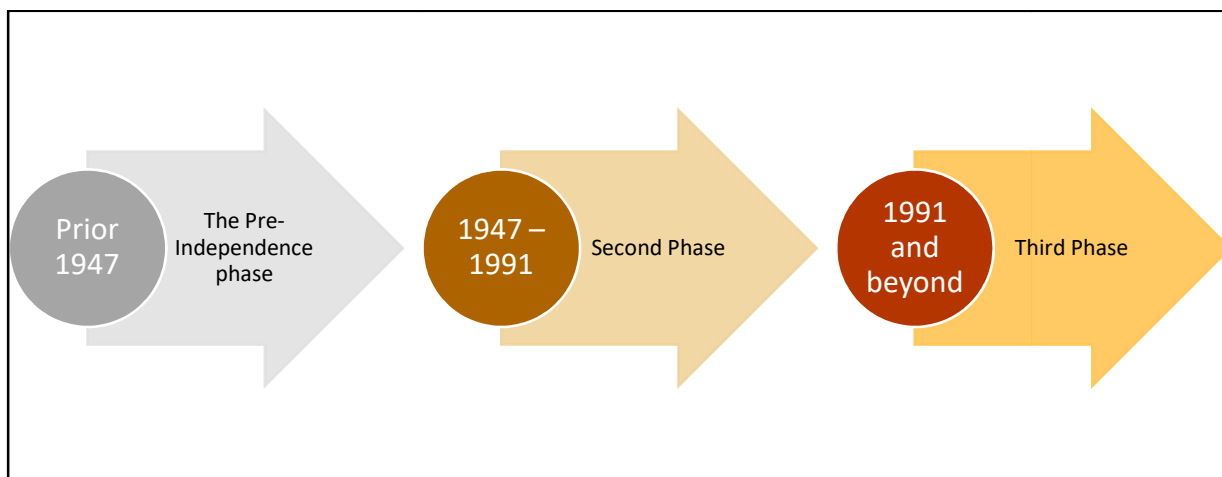
The examination depends on secondary information that has been gathered from yearly reports of the banks, research papers, articles and other distributed data.

3. DISCUSSION

3.1 History of Indian Banking

Indian Banking System is broadly classified into Commercial Bank (i.e. Both Public & Private bank), Regional Rural banks, Cooperative Banks etc. Major changes in history of Indian Banking was Nationalization of bank which strengthen & established the Indian economy. Following is the phases of Indian Banking system Pre & Post Independence.

The 3 Classified Phases which Distinguishes Indian Banking System.



i. The Pre-Independence Phase i.e before 1947

- Bank of Hindustan which was established in Kolkata in the year 1770 marked the beginning of Indian Banking System.

- In 1955 we saw a formation of India's Leading Bank which is named as State Bank of India earlier named as Imperial Bank which was formed after merging different banks together
 - Under the recommendation of Hilton Young Commission, Reserve bank of India as formed in April 1935.
 - Several successful banks were established during this period
 - est.1865: Allahabad Bank
 - est.1894 with HQ in Lahore:Punjab National Bank
 - est.1906: Bank of India
 - est.1908: Bank of Baroda
 - est.1911: Central Bank of India
 - Post this many bank emerged but were not able to function successfully such as
 - ✓ 1786-1791: General Bank of India
 - ✓ 1881-1958: Oudh Commercial Bank i.e. First Commercial Bank of India
- ii. **The Second Phase (1947 – 1991)**
- This Phase is mainly focused on Nationalization of Bank
 - Certain facts which urged for Nationalization in India
 - ✓ Exploitation of Poor masses by Money Lender
 - ✓ Small Scale Industries, Agriculture & export were falling behind due to ignorance towards this sector.
 - ✓ Large industries and big business houses were only getting benefits
 - After this the Reserve bank of India was nationalized in the year 1949.
 - The Following commercial banks are nationalized during 1969:-
 - ✓ Allahabad Bank
 - ✓ Union Bank of India
 - ✓ Syndicate Bank
 - ✓ Bank of Baroda
 - ✓ Punjab National Bank
 - ✓ Canara Bank
 - ✓ United Commercial Bank
 - ✓ Bank of Baroda

- ✓ Punjab National Bank
 - ✓ Bank of India
 - ✓ Central Bank of India
 - ✓ Bank of Maharashtra
 - ✓ Indian Overseas Bank
- For the development of various other sectors such as agricultural, housing, import & export they established various banking institution such as:
 - ✓ NABARD
 - ✓ EXIM
 - ✓ NHB
 - ✓ SIDBI

iii. **Third Phase 1991 & Beyond**

- As Economic Policies were liberalized, this phase saw gigantic growth in the stage of development of banks.
- In 1991, the Narasimham committee gave its recommendation to establish involvement of private sector players into the banking system
- Even after nationalization there were large amount of people still discarded from the benefits of banking services
- Banking License were Granted to private entities by RBI out of which only few were able to Survive in the competitive market, such as IndusIndBank, ICICI, HDFC, Axis, DCB
- In 1988 Narsimham Committee suggested few more private entities to participate in banking sector. Such as Kotak Mahindra Bank & Yes Bank

Table No 1: Difference between e-banking and traditional banking

| Basis of Difference | Electronic Banking | Traditional Banking |
|----------------------------|--|---|
| Time | It does not take time as customer can avail e-banking services everywhere with the use of internet | It takes lot of time as customer need to visit banks individually |
| Security | Customer faces security threat while | They do not poses internet |

| | | |
|-------------------------|--|--|
| Threat | accessing personal banking information through internet.(Hacking etc) | security threat. |
| Cost effective | Banks eliminate direct & indirect cost as they do not have physical presence | A lot of operating & fixed cost implies as their physical presence |
| 24*7 Service | Electronic Banking can be availed or accessed 24 hours a day | Traditional banking can be availed or access during banking office hours |
| Physical Infrastructure | Internet banking do not require physical Infrastructure to provide services instead they are provided through Internet | Traditional banking require physical presence to offer services to customer |
| Cost | It is comparatively cost efficient as customer do not have to visit banks personally | Consumers have to spend money in order to visit bank |
| Customer service | As this is self-service, customer do not have to wait in queue or visit in bank | Customer service place an important role in traditional system for success of bank |

3.2 Electronic Banking and Its Evolution

Electronic Banking or Online Banking was initiated in early 80's. But the term 'Online Banking' got recognition in late 80's. Online banking in the 80's incorporated usage of keyboard, terminal, and Television with an objective to proceed the Electronic Banking system utilizing a phone line. With the support and help of Videotext system for the very first time online service was initiated in New York City of USA in the year 1981. Chase Manhattan, Citibank, Chemical and Manufacturers Hanover were the first few banks who provided home banking service to their customers

This was the first time that online service initiated in New York in 1981, Service provider from different city's major banks (Chase Manhattan, Citibank, Chemical and Manufacturers Hanover) provided home banking service with the help of Videotext system. Post which the trend of Video text became very popular in France. In UK, the Nottingham Building Society (NBS) in the year 1983 started its first online banking. It was built on the UK's Prestel system and used a computer box, including keyboard or BBC Micro or (Tan data) connected to the

telephone system and television set. This offered customer an opportunity to make bill payments for telephone, gas & electricity via different banks. Stanford Federal Credit Union also provided online banking services to their customers.

Various Products and Services are being offered through a channel of banking services with help of the internet to the customers and that too at the doorstep which includes opening a savings account, transferring funds across various accounts. Further, it is the optimal opportunity for banks to attract customers by offering different banking services. The use of Internet Banking is growing at a lightning speed. In the nascent stage, Internet banking includes configuring the web page by a bank to advertise their products & services. After the initial stage, it includes the provision of facilities such as funds transfer, accessing an account, providing allied financial services such as investment and insurance, and enabling integrated sales of additional process. The Customer would always get added advantage of accessing their banking transactions without visiting the bank. Bank offers the following banking services such as online trading of shares, application of loan, check account balance, online remittance of money, railway reservation, etc. Banks have taken full benefits of Information Technology i.e. Internet by offering e-banking services in the current era. As compared to other bank branch systems, Internet banking is easily reliable and convenient.

3.3 E-banking in India

3.4 In India, Branch banking was the conventional method of banking. During 1991 economic reforms, the new wave of banking methods was witnessed by the Indian banking system. Under the recommendation of Saraf Committee which was originated by RBI in 1994 the launch of the Electronic Fund Transfer System (EFT), commencement of electronic clearing services, and expansion of Magnetic Ink Character Recognition (MICR) were across the country. ICICI Bank was the first among banks to introduce e-banking in India. In 1996, ICICI was the first bank to introduce online banking in India. After the successful initiatives of ICICI Bank, in 1999 Citibank, IndusInd Bank, and HDFC Bank also provided internet banking services. The government and the Reserve Bank took various initiatives for smooth functioning and expansion of the Reserve bank of India. To legalized the electronic transactions taking place in the Banking sector, The government of India Passed the IT Act, 2000.

3.5 Era of electronic payment systems in India

There has been a dramatic change in electronic banking system in last 4 decades. The transactions have become faster and robust. Following are few developments sighted by researcher.

1. late 1980's and early 1990's : Arrival of card- based payments- debit card, credit card
2. late 1990's: Introduction of Electronic Clearing Service (ECS)
3. early 2000's: Introduction of Electronic Funds Transfer/ Special EFT
4. March 2004: Introduction of Real Time Gross Settlement (RTGS)
5. 2005/06: Introduction of NEFT (National Electronic Funds Transfer)
6. 2008: Introduction of CTS (Cheque Truncation System)
7. 2010: Introduction of IMPS
8. 2016: Introduction of UPI supported payment systems

The diagram below shows the Evolution of Payment Systems over time.

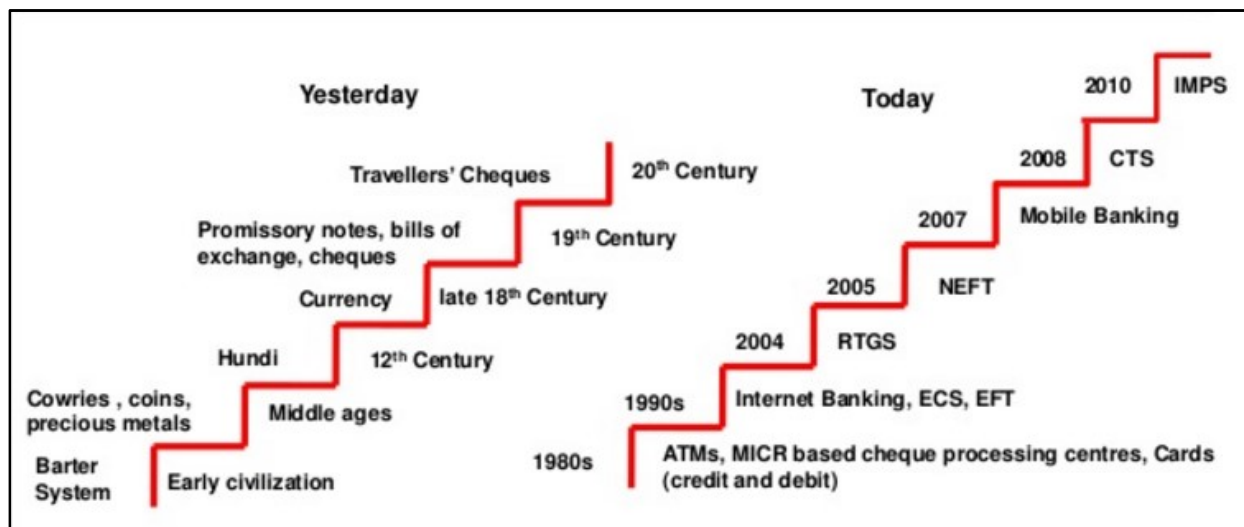


Figure No 1: Evolution of Payment Systems over time from Barter

(Source:bemoneyaware.com)

3.6 Future of Banking Technology

The eventual fate of Indian banks is connected to the fate of banking technological development.

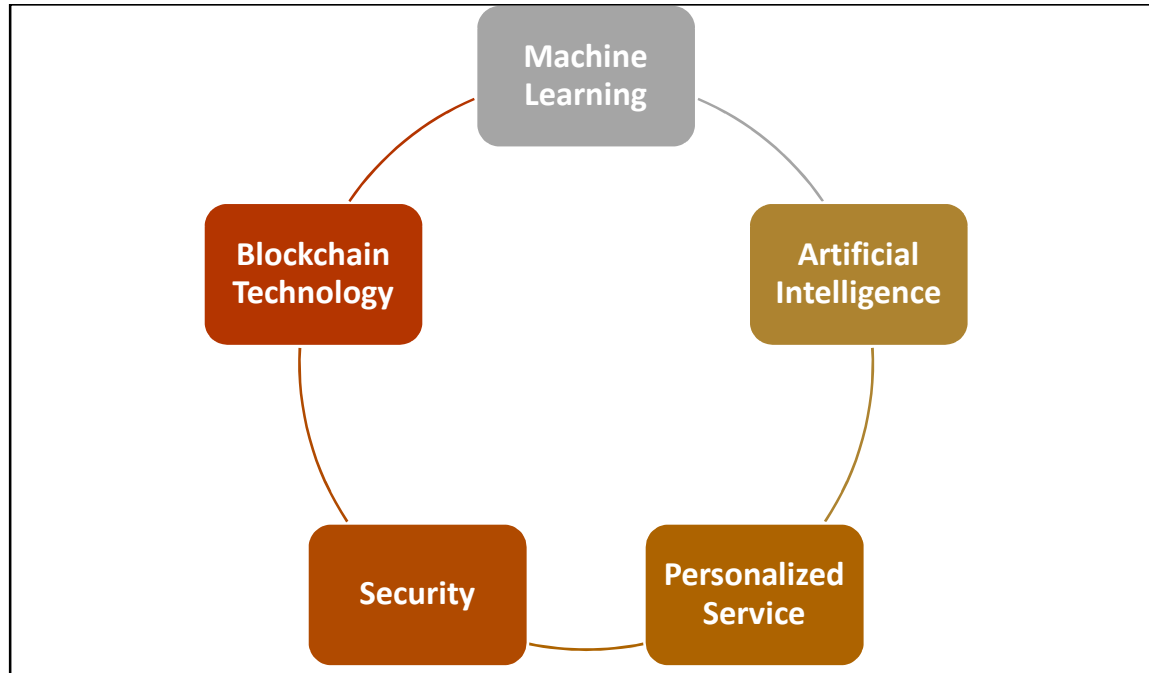


Figure No. 2: Future of Banking Technology

- i. **Machine Learning:** Information science can be utilized to anticipate the necessities of clients & give them altered items that fit into their requirements.
- ii. **Artificial Intelligence:** As computerized Banking in India is making Advancement with the help of AI, changes will be seen in banking forms. We can hope to consider more astute to be as backend forms are smoothed out.
- iii. **Personalized Service:** Computerized banking will help tweak the screens for clients dependent on their utilization history. It will likewise take into consideration naturally filling in specific data required on online structures. This will guarantee a vastly improved client experience.
- iv. **Security:** Nowadays, passwords and OTPs are used to anticipate progressed biometric confirmation, voice acknowledgment, and face acknowledgment sooner rather than later. ATMs are on the verge of going contactless, and mobiles will work instead of ATMs.
- v. **Block chain Technology:** An ever increasing number of banks will receive block chain innovation which implies that the record subtleties of a client will be kept up progressively across banks while dispensing with the danger of hacking by hoodlums.

4 CONCLUSION : EVENTUAL FATE OF BANKING IN INDIA

Banking in India is at the junction now. They are feeling the squeeze to acknowledge and advance with digitalization. Presence of the banking is in the Question. All Banks have to embrace an all-encompassing way to deal with digitization. It isn't only a client connection instrument, nor is it merely something that paces up a financial procedure. It is changing the whole idea of banking. As indicated by the necessities of individual clients, product advancement and improvement is the current trendy expression. The agility that banks in India have shown during the recent decades exhibits that they will keep on advancing. The financial area of the Indian Economy will proceed to develop, and digitalization will follow. Banking will play a pivotal role in economic development. The eventual fate of Indian banking innovation is electronic-banking or advanced banking.

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