



# The Significance of E - Banking in the Indian Banking Development

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## ABSTRACT

In recent years, the banks have shifted their vision from socio banking to profit earning. Although there have been several advantages because the business has been expanding, but along with it, the public sector banks have witnessed many disadvantages. This Paper showing ebanking singnificate like Lower cost per exchange: Since the client doesn't need to visit the branch for each exchange, it saves him both time and cash and No topographical hindrances: In conventional financial frameworks, geological distances could hamper specific financial exchanges. Nonetheless, with e-banking, geological obstructions are diminished. ebaning Convenience A client can get to his record or bank account and execute from any place at any time.

**Key Words :** Benefits, Types and Role.

## INTRODUCTION

A bank is a financial institution that accepts deposits from the public and creates a demand deposit while simultaneously making loans. Lending activities can be directly performed by the bank or indirectly through capital markets. Because banks play an important role in financial

stability and the economy of a country, most jurisdictions exercise a high degree of regulation over banks. Most countries have institutionalized a system known as fractional-reserve banking, under which banks hold liquid assets equal to only a portion of their current liabilities. In addition to other regulations intended to ensure liquidity, banks are generally subject to minimum capital requirements based on an international set of capital standards, the Basel Accords.

As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalised and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well.

The Indian banking industry has recently witnessed the rollout of innovative banking models like payments and small finance banks. In recent years India has also focused on increasing its banking sector reach, through various schemes like the Pradhan Mantri Jan Dhan Yojana and Post payment banks. Schemes like these coupled with major banking sector reforms like digital payments, neo-banking, a rise of Indian NBFCs and fintech have significantly enhanced India's financial inclusion and helped fuel the credit cycle in the country. The digital payments system in India has evolved the most among 25 countries with India's Immediate Payment Service (IMPS) being the only system at level five in the Faster Payments Innovation Index (FPII). India's Unified Payments Interface (UPI) has also revolutionized real-time payments and strived to increase its global reach in recent years. The Indian banking system consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1485 urban cooperative banks and 96,000 rural cooperative banks in addition to cooperative credit institutions. As of September 2021, the total number of ATMs in India reached 213,145 out of which 47.5% are in rural and semi urban areas.

In 2020-2022, bank assets across sectors increased. Total assets across the banking sector (including public and private sector banks) increased to US\$ 2.67 trillion in 2022. In 2022, total assets in the public and private banking sectors were US\$ 1,594.51 billion and US\$ 925.05 billion, respectively. During FY16-FY22, bank credit increased at a CAGR of 0.62%. As of FY22, total credit extended surged to US\$ 1,532.31 billion. During FY16-FY22, deposits grew at a CAGR of 10.92% and reached US\$ 2.12 trillion by FY22. Bank deposits stood at Rs. 173.70 trillion (US\$ 2.12 trillion) as of November 4, 2022. According to India Ratings & Research (Ind-Ra), credit growth is expected to hit 10% in 2022-23 which will be a double-digit growth in eight years. As of November 4, 2022 bank credit stood at Rs. 129.26 lakh crore (US\$ 1,585.09 billion).

## E-Banking Backdrop

In India e-banking is a new concept. The traditional banking system in India runs through the branch banking system. In the year of 1990 the non branch banking system started. The new concept of e-banking system gain popularity over the old traditional manual branch banking system. The credit of launching the new technology in banking system goes to the private bank like ICICI bank. Citibank and HDFC bank who introduces the internet banking in 1999.

The Government of India and Reserve Bank of India have also taken the initiatives in the development of e-banking in India. The government of India enacted the Information Technology Act, 2000 which recognizes the electronic transaction and other means of electronic commerce. The Reserve Bank of India monitoring and reviewing the legal and other requirement of e-banking on a continuous basis to ensure that e-banking would develop on sound lines and e-banking related challenges would not a pose a threat to financial stability. The private banks introduce new schemes, technologies for the people and make a competition for the public banks.

In the current day, there is little difference between netbanking and e-Banking and the terms are often used interchangeably. However, internet banking is only one of the many services of e-Banking, while e-Banking encompasses all the services, financial and non-financial, are provided. The regular don'ts apply to e-Banking, even more so since the information handled here is very sensitive. It's best not to use e-Banking services on a public Wi-Fi, or even public computers.

In past three decades the operational efficiency of Indian banks has increased to several folds, now the time taken by the banks in performing different transaction has been reduced, with this advancement competition among banks has also increased. Every bank is trying to use as much latest technological innovations in order to facilitate its customers. One of the key features in this regard is innovation banking or e- banking, which a lot of banks are currently providing in India. Internet Banking or E- Banking refers to a system that allowing individual customers to perform various banking activities from different sites like their home, office and other locations via internet based secured networks. Through Internet or online banking traditional banks are enable customers to perform all routine transactions, such as account transfers, balance inquiries, bill payments and stop-payment requests, and some even offer online loan and credit card applications. Internet banking is a web-based service that enables the banks authorized customers to access their account information. It permits the customers to log on to the banks website with the help of banks issued identification and personal identification number (PIN).

E-Banking services are available on all 7 days all round the hours of the day. It is a convenient way to access account information and allied services related to the account from the comfort of your home and a stable internet connection. These services are made to be secure against cyber attacks too. These netbanking portals can only be availed through User IDs and passwords, by generating OTPs and captchas while logging in. Internet banking has reduced the stress on banking institutions as well as its customers. A customer may not need to go to the bank each time they want a different query addressed; in fact, the accessibility of chatbots and support services on the site make understanding and executing processes on the site easier for both the user and the provider. A customer can access their account information, avail loans and keep check on the balance, make payments and transfer funds with security and ease. Nowadays, when an account is opened with a bank, online banking services are automatically offered. Opening an account with a bank is also possible online. Online banking also keeps and provides a track on all the transactions and activity done during an active session. E-Banking is secure and quick to access and process. Non-financial information such as bank news, checking statements, filling and submitting applications and more is possible with only a click of a button.

The Following importance

- Banking that is done through the digital platform without any paperwork is referred to as digital banking
- Digital banking means the availability of banking services online

With the Indian Government's vision of a cashless economy and rapid development in improving internet availability throughout the nation, the country recorded over 48.6 billion real-time payment transactions in 2021 (the highest in the world) exceeding China by 162 %.

### **Types of E-banking**

The major types of E-banking are online internet banking, mobile banking, automated teller machine (ATM), and debit and credit cards. There's a good chance you've already heard about most of these. However, let's understand each and how they cater to different customer requirements.

### **Mobile and Internet banking**

Internet banking and E-banking are almost synonymous, except the latter is a broader term encompassing the former. Any transaction – financial or non-financial – that you make over through a web page (generally the bank's website) or a web application constitutes internet banking.

You can experience banking at your fingertips with IDFC FIRST Bank's internet banking services, which facilitate easy transfers, quick bill payments and access to loan details. On the other hand, mobile banking happens through your mobile phone via a bank's mobile banking app.

### **Credit and debit cards**

Credit and debit cards are a form of E-banking, too! Debit cards can help us easily withdraw cash from ATMs and POS (Point of Sale) machines. On the other hand, credit cards allow customers to borrow funds up to a pre-approved limit and help them avail a range of offers.

### **ATMs**

ATM was the first E-banking service provided by banks when they started going digital. An ATM makes the process of withdrawing and depositing money convenient.

### **Electronic Data Interchange (EDI)**

EDI is a technology that is restricted to business transactions. It is used to improve operational efficiency and reduce transaction costs across a supply chain consisting of manufacturers, suppliers, logistics providers, retailers, and wholesalers, etc. EDI has succeeded in making transactions across businesses paperless and seamless.

### **National Electronic Fund Transfer (NEFT)**

National Electronic Funds Transfer (NEFT) is a nation-wide payment system facilitating one-to-one funds transfer. Under this Scheme, individuals, firms and corporates can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the Scheme. Individuals, firms or corporates maintaining accounts with a bank branch can transfer funds using NEFT. Even such individuals who do not have a bank account (walk-in customers) can also deposit cash at the NEFT-enabled branches with instructions to transfer funds using NEFT. However, such cash remittances will be restricted to a maximum of Rs.50,000/- per transaction. NEFT, thus, facilitates originators or remitters to initiate funds transfer transactions even without having a bank account. Presently, NEFT operates in hourly batches - there are twelve settlements from 8 am to 7 pm on week days (Monday through Friday) and six settlements from 8 am to 1 pm on Saturdays.

### **Forms Of E-Banking**

There are various forms of electronic banking they are:

Automated Teller Machine (ATM)

Tele Banking

Smart Card

Debit Card

E-Cheque

### **Other Forms of E-Banking**

**Debit Card:** Debit Card are looks similar to the credit card or ATM card but can operate as cash or a personal check. Trough credit card and debit card look alike but there are certain differences between them. In credit card there is a way to pay later but in debit card there is a concept of pay now.

**E-cheque:** it is a electronic version of paper cheque and a representation of traditional cheque making system.

**Other forms of e-banking:** there are also other forms of electronic banking they are direct deposit, electronic bill payment ,electronic check conversion, cash value stored etc.

### **Real Time Gross Settlement (RTGS)**

RTGS is defined as the continuous (real-time) settlement of funds transfers individually on an order by order basis (without netting). 'Real Time' means the processing of instructions at the time they are received rather than at some later time; 'Gross Settlement' means the settlement of funds transfer instructions occurs individually (on an instruction by instruction basis). Considering that the funds settlement takes place in the books of the Reserve Bank of India, the payments are final and irrevocable. The RTGS system is primarily meant for large value transactions. The minimum amount to be remitted through RTGS is 2 lakh. There is no upper ceiling for RTGS transactions. The RTGS service for customer's transactions is available to banks from 9.00 hours to 16.30 hours on week days and from 9.00 hours to 14:00 hours on Saturdays for settlement at the RBI end. However, the timings that the banks follow may vary depending on the customer timings of the bank branches.

### **Electronic Clearing System (ECS)**

ECS is an alternative method for effecting payment transactions in respect of the utility-bill-payments such as telephone bills, electricity bills, insurance premia, card payments and loan repayments, etc., which would obviate the need for issuing and handling paper instruments and thereby facilitate improved customer service by banks / companies / corporations / government departments, etc., collecting / receiving the payments.

## Immediate Payment Service (IMPS)

IMPS offers an instant, 24X7, interbank electronic fund transfer service through mobile phones. IMPS is an emphatic tool to transfer money instantly within banks across India through mobile, internet and ATM which is not only safe but also economical both in financial and non-financial perspectives.

## E-Banking And It's Payment System Methods

There are various changes has taken place in India banking sector. Information technology is one of the changes of banking sector and it influences the way of interaction between the customer and the banks. In electronic banking the channels and products are available in ATM's cards, internet banking and mobile banking offered along with the traditional branch banking system. The transaction of money and business relation among the countries increases with times.

The people getting attracted the banking through the electronic means. Now a days they can transfer their money where and when they wish to and banks has the duty to meet the expectation of the customer. Today for the banking services one has to connect the plug into the host of banking services from his personal computer and using varieties of banking services at home.

## Significance of E - Banking

Advancing to a more technologically sophisticated way of doing things, it goes without saying that the benefits long outweigh the costs. Similarly, digital banking as a technological by-product aims to make life easier for the customers of a bank. Digital banking has the following benefits:

Digital banking enables consumers to perform banking functions from the comfort of their homes, be it an elderly person who is tired of waiting in lines or a working-class professional who is caught up with work, or a regular person who does not want to visit the bank's branch to run a single errand. It also offers convenience.

Elaborating on the convenience offered, digital banking lets a user carry out banking work around the clock, with 24\*7 availability of access to banking functions.

One of the biggest drawbacks of traditional banking was the overly placed importance on paper. Banking has become paperless with the development of digital banking as a service. A user can log into their account at any point in time to monitor records.

Digital banking allows a user to set up automatic payments for regular utility bills such as electricity, gas, phone, and credit cards. The customer no longer has to make a conscious effort of remembering the due dates. The customer can opt for alerts on upcoming payments and outstanding dues.

Online shopping has become a cakewalk with payment channels becoming well-integrated with online shopping portals. Internet banking has significantly contributed to online payments.

Digital banking extending services to remote areas is seemingly a step toward holistic development. With smartphones at affordable prices and internet access in remote areas, the rural population can make the most out of digital banking services.

Digital banking-enabled fund transfers reduce the risk of counterfeit currency.

With the help of digital banking, a user can report and block misplaced credit cards at the click of a button. This benefit greatly strengthens the privacy and security available to a bank's customers.

By promoting a cashless society, digital banking restricts the circulation of black money as the Government can keep a track of fund movements. In the long run, digital banking is expected to lower the minting demands of a currency.

### **.Role Of Reserve Bank Of India In E-Banking**

The Reserve Bank of India plays a big role in giving recognition of e-banking in India. The transaction like Real Time Gross Settlement (RTGS) and National Electronic Fund Transfer (NEFT) and other forms of fund transfer to facilitate the electronic fund transfer and ensure the legal admissibility of documents and records. Reserve Bank of India exercises the electronic payment system Electronic Clearing Service (ECS) and Electronic Fund Transfer(EFT) which are introduced in 1995 and RTGS system in 2004, NEFT system in 2005 and cheque transaction system in 2008.

The Reserve Bank of India also issued guidelines on security issue and risk mitigation measures relating to card present transaction. In this circular RBI has taken measures to secure card not present transaction and making it mandatory for banks to put in place additional authentication or validation for all in one recurring transaction based on information not available on the credit or debit or prepaid cards.

RBI also directed the banks and other stakeholders to initiate immediate action for accomplishing the following task within reasonable time. It also gives regulation to the commercial banks of India relating to the implementation of fraud risk management practices and securing the technology infrastructure. With the banking laws Amendment Act,2012 RBI

has the power to for any information and cause inspection of business of any associate enterprise of the bank.

It also provided the legal framework for setting up bank holding companies and paves the way for issue of new banks licence. The RBI has been issuing many guidelines and regulation to the commercial banks on information technology, electronic banking and technological risk management and cyber frauds.

## CONCLUSION

The evolution of electronic banking began with the usage of automated teller machines and then progressed to internet banking. It will be performed on mobile phones in the future (wap-enabled). In any case, for financial transactions, online banking remains the best option. The electronic banking towards economic development plays a crucial role in developing countries like India. Banks are no longer restricted to traditional banking rather it is shifted to the virtual banking system. Customers are experiences more feasible in banking operations because of Information technology.

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