

# E-Banking Services in India

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**Abstract:** *With the increase in technology, the demand for online services has increased to a very large extent. The Indian economy has seen a vast change since 1990s when various economic and financial reforms were introduced in the country. The banking sector has also updated their technology and introduced various services which provides its customers the benefit to avail services without visiting the banks. This paper tries to bring out the various services which are provided by the banks through online mode in India.*

**Keywords:** *E-banking, ATM, NEFT, RTGS, ECS.*

## 1. INTRODUCTION:

Electronic banking also referred to as E-banking, Virtual banking, Online banking or Internet banking is simply the use of electronic and telecommunications network for delivering various banking products and services. Through e-banking, a customer can access his account and conduct many transactions using his computer or mobile phone. It refers to the use of internet facility as a distant delivery using computer or mobile phone. The future of banking services can be seen in E-banking. E-banking facilitates banks to effectively reduce foot-fall of banking customers in their branches. Thus, the number of human contact to solve a customers' query or to conduct a banking transaction has reduced drastically. The conventional banking branches have transformed into PC networks, so that banking customers can avail every service benefit of bank online as well. Customers can avail numerous banking services through e-banking, such as payment of utility bills, transfer of funds, booking the railway tickets etc.

## 2. E-BANKING SERVICES IN INDIA:

The various E-Banking Services prevailing in India can be described as under:

- **Automated Teller Machine (ATM):**

The introduction of ATM services brought about huge technological development in the banking sector. It helped in providing 24x7 services to customers. The ATM allows customers to withdraw money at any time even without visiting the bank. It also allows customers to transfer money and view their account information. It provides various benefits such as improved customer services, larger penetration, extended hours of service and less crowd at the bank.

- **Credit Card:**

A credit card is a thin plastic card that contains information regarding customer's identification such as customer's signature or picture and also authorizes the name of the customer. The credit card allows its customers to buy goods and services and pay money later. The repayment is done at fixed intervals as directed by the card issuing agency. Credit cards serve as an alternative to cash and allows customers to purchase on credit. The credit limit is decided at the discretion of the bank depending on the credibility of the customer to repay back the money. Credit card is often referred to as plastic money.

- **Debit Card:**

The debit card is also a plastic card similar to a credit card but its use is limited to the existing funds available in account of the customer. The word debit means subtract which implies the deduction of money from the account of the customer as and when the debit card is used by the customer for making payments. The debit card is also used to obtain money from ATMs.

- **Internet Banking:**

Internet is one of the most significant developments of the 20<sup>th</sup> century made in the field of Information and Communication Technology. The use of internet in the field of banking brought about the concept of 'Anytime and Anywhere Banking'. The Internet banking services allows customers to conduct their financial transactions with

the help of secured websites used by the banks. It provides various facilities such as bank account inquiry, payment of utility bills, credit card bill payments, electricity bill payments, income tax payments, house tax payments, cell phone recharge, status inquiry, bank related information and online shopping. All these services can be performed without even visiting the bank and sitting at home or office itself. It also helps to reduce the number of visits of the customers to the banks.

- **Mobile Banking:**

Mobile banking is a banking service provided through a mobile network and accessed through a mobile device such as a mobile phone. It is a service that permits the customers to do banking transactions without making a call through the use of short message service (SMS). While Internet Banking requires the use of Laptop or Personal Computer, the Mobile Banking needs only the use of wireless mobile phones.

Mobile banking transactions can be categorized into three types:

- Information based,
- Transactions based and
- Relationship based applications.

Information based application helps a customer obtain essential information related to his account, new items and share prices. The transactions based application is the next higher level of service which facilitates the transactions such as transfer of funds from one account to another, stock trading and applying for credit and the relationship based application helps in building personalized relationship between the bank and its customers such as receiving targeted promotions and location based information through some clicks on the key pad.

- **Electronic Clearing Services (ECS):**

ECS is identified as the Automated Clearing House (ACH) system which was introduced by The Reserve Bank of India in the mid 1990s. The electronic clearing services are performed in two methods, one of which is credit clearing and the other is debit clearing. While the credit clearing operates on the principle of “Single debit – Multiple credits” the debit clearing operates on the principle of “Single credit - Multiple debits”.

- **ECS – Credit Clearing “Single Debit – Multiple Credits”:**

The procedure for electronic clearing service – credit clearing (ECS – Credit) was introduced by the Reserve Bank of India in November 2007. The banker can perform more payment transactions by accepting single debit and giving multiple credits to their customers through electronic clearing service at the same time. For example, if a company wants to pay salary to its employees, the banker can accept a single debit and the salary of all the employees will be credited with the different amount in their respective accounts.

- **ECS – Debit Clearing “Single credit – Multiple debits”:**

The procedure for electronic clearing service – debit clearing (ECS – Debit) was introduced by the Reserve Bank of India in November 2007. The banker can perform more number of collecting transactions with a limited amount from different customers by collecting multiple debits and give single credit to the particular customer through the electronic clearing services. The electricity bill, telephone bill, receiving principal amount or interest for housing or personal loan from the borrowers can be performed under this scheme.

- **National Electronic Funds Transfer (NEFT):**

NEFT system was introduced by the RBI in the year 1995. It is a system of transferring money from one bank account directly to another without any paper money changing hands. NEFT refers to card based system used to transfer funds through an electronic terminal, including credit card, debit card, charge card and point of sale transactions. It is used for both credit transfers such as pay roll payments and for debit transfers such as mortgage payments. Presently the system covers all the branches of the public sector banks and scheduled commercial banks at different places in India.

- **Real Time Gross Settlement (RTGS):**

Real Time Gross Settlement (RTGS) was launched by the Reserve Bank of India on 26<sup>th</sup> March 2004 in India. It is a large value funds transfer system whereby financial intermediaries can settle interbank transfers for their own account as well as for their customers. It is a funds transfer mechanism whereby transfer of money takes place from one bank to another on a Real Time and on Gross basis. “Real Time” Settlement means payment transaction is not subjected to any waiting period and the transactions are settled as soon as they are processed. “Gross Settlement” means the transaction is settled on one to one basis without bunching with any other transaction. RTGS will eliminate settlement risk between the interbank transactions.

• **Central Government Securities Settlement System (CGSS):**

Government securities mean bonds, notes and other debt instruments sold by government to finance its borrowings. These are generally long term securities with the highest market ratings. The CGSS system was introduced in September 1997. The CGSS is a Real Time Gross settlement (RTGS) for the issuance, transfer and redemption and interest payment of central government bonds in the form of accounting entries on computer records.

• **Foreign Exchange or Forex Market Settlements:**

The foreign exchange market or current market or forex is the market where one currency is traded for another. It is one of the largest markets in the world. Some of the participants in this market are simply seek to exchange a foreign currency for their own, like multinational corporations which has to pay wages and other expenses in different nations than they sell products. The foreign exchange market operates 24 hours a day throughout the week between individuals with forex brokers, brokers with banks and banks with banks. The foreign exchange market settlements are performed through Real Time Gross Settlement System.

**3. CONCLUSION:**

E-banking is need of the hour. Though there are lots of hurdles in the implementation of these services but at the same time it has a bright future in India. It is golden path for banking sector in India to maximize its profits and also the customer base and therefore the E-banking can never be neglected. The future of banks is now in the hands of the customer and their satisfaction and therefore only those banks will survive in the market which can make the changes as per technological developments and changing customer requirements. The customers must be satisfied at any cost and so the banks are making sincere efforts to popularize the e-banking services and products. This era is beginning to see the convenience and benefits of e-banking and so in years to come, e-banking will not only be acceptable mode of banking but will be preferred mode of banking.

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