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"A STUDY OF AWARENESS OF E-BANKING SERVICES IN INDIA"

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ABSTRACT

"E-banking"- The execution of financial services via internet, reducing cost and increase in convenience for the customer to access the transaction. **e- Banking** is an umbrella term for the process by which a customer may perform banking transactions electronically without visiting a brick-and-mortar institution. The following terms all refer to one form or another of electronic banking: personal computer (PC) banking, Internet banking, virtual banking, online banking, home banking, remote electronic banking, and phone banking. PC banking and Internet or online banking is the most frequently used designations. It should be noted, however, that the terms used to describe the various types of electronic banking The ever increasing speed of internet enabled phones & personal assistant, made the transformation of banking application to mobile devices, this creative a new subset of electronic banking i.e. mobile banking. In 1999 & 2000 mobile banking as an established channels, still seems to be a distant prospect. The internet is revolutionizing the way the financial industry conducts business online, has created new players who offer personalize services through the web portals. This increase to find new ways and increase customer loyalty to add the value to this product and services. Banks also enables customers lifestyle needs by changing and increasing preference for speed and convenience are eroding the traditional affinity between customer and branch offices as a new technology disinter mediates traditional channels, delivering the value proposition hinges on owing or earning the customer interface and bringing the customer a complete solution which satisfies their needs. Smart card is a new trend which provides the opportunity to build an incremental revenue stream by providing an ideal platform for extended application and services. Banks are well positioned to play central role unit in future M-commerce market. Banks have strong relationships with corporate and business customers and a wide experience in providing them with corporate banking services. Bank provides a multimedia of small and large retailers with acquiring functionality in credit card transactions. Customers have trusted relationships with banks and a lower propensity to switch banking providers.

1. INTRODUCTION

Banks have traditionally been in the forefront of harnessing technology to improve their products, services and efficiency. They have, over a long time, been using electronic and telecommunication networks for delivering a wide range of value added products and services. The delivery channels include direct dial – up connections, private networks, public networks etc and the devices include telephone, Personal Computers including the Automated Teller Machines, etc. With the popularity of PCs, easy access to Internet and World Wide Web (www), Internet is increasingly used by banks as a channel for receiving instructions and delivering their products and services to their customers. This form of banking is generally referred to as Internet Banking, although the range of products and services offered by different banks vary widely both in their content and sophistication. Broadly, the levels of banking services offered through INTERNET can be categorized in to three types: (i) The Basic Level Service is the banks' websites which disseminate information on different products and services offered to customers and members of public in general. It may receive and reply to customers' queries through e-mail, (ii) In the next level are Simple Transactional Websites which allow customers to submit their instructions, applications for different services, queries on their account balances, etc. but do not permit any fund-based transactions on their accounts, (iii) The third level of Internet banking services are offered by Fully Transactional Websites which allow the customers to operate on their accounts for transfer of funds, payment of different bills, subscribing to other products of the bank and to transact purchase and sale of securities, etc. The above forms of Internet banking services are offered by traditional banks, as an additional method of serving the customer or by new banks, who deliver banking services primarily through Internet or other electronic delivery channels as the value added services. Some of these banks are known as 'virtual' banks or 'Internet only' banks and may not have any physical presence in a country despite offering different banking services.From the perspective of banking products and services being offered through Internet, Internet banking is nothing more than traditional banking services delivered through an electronic communication backbonevia, Internet. But, in the process it has thrown open issues which have ramifications beyond what a new delivery channel would normally envisage and, hence, has compelled regulators world over to take note of this emerging channel. Some of the distinctive features of i-banking are:

1. It removes the traditional geographical barriers as it could reach out to customers of different countries / legal jurisdiction. This has raised the question of jurisdiction of law / supervisory system to which such transactions should be subjected,

2. It has added a new dimension to different kinds of risks traditionally associated with banking, heightening some of them and throwing new risk control challenges,
3. Security of banking transactions, validity of electronic contract, customers' privacy, etc., which have all along been concerns of both bankers and supervisors have assumed different dimensions given that Internet is a public domain, not subject to control by any single authority or group of users,
4. It poses a strategic risk of loss of business to those banks who do not respond in time, to this new technology, being the efficient and cost effective delivery mechanism of banking services,
5. A new form of competition has emerged both from the existing players and new players of the market who are not strictly banks.

The Regulatory and Supervisory concerns in i-banking arise mainly out of the distinctive features outlined above. These concerns can be broadly addressed under three broad categories, vise, (i) Legal and regulatory issues, (ii) Security and technology issues and (iii) Supervisory and operational issues. Legal issues cover those relating to the jurisdiction of law, validity of electronic contract including the question of repudiation, gaps in the legal / regulatory environment for electronic commerce. On the question of jurisdiction the issue is whether to apply the law of the area where access to Internet has been made or where the transaction has finally taken place. Allied to this is the question where the income has been generated and who should tax such income. There are still no definite answers to these issues. Security of i-banking transactions is one of the most important areas of concerns to the regulators. Security issues include questions of adopting internationally accepted state of- the art minimum technology standards for access control, encryption / decryption (minimum key length etc), firewalls, verification of digital signature, Public Key Infrastructure (PKI) etc. The regulator is equally concerned about the security policy for the banking industry, security awareness and education.

The supervisory and operational issues include risk control measures, advance warning system, Information technology audit and re-engineering of operational procedures. The regulator would also be concerned with whether the nature of products and services offered are within the regulatory framework and whether the transactions do not camouflage money-laundering operations. The Central Bank may have its concern about the impact of Internet banking on its monetary and credit policies. As long as Internet is used only as a medium for delivery of banking services and facilitator of normal payment transactions, perhaps, it may not impact monetary policy. However, when it assumes a stage where private sector initiative produces electronic substitution of money like e-cheque, account based cards and digital coins, its likely impact on monetary system cannot be overlooked. Even countries where i-banking has been quite developed, its impact on monetary policy has not been significant. In India, such concern, for the present is not addressed as the Internet banking is still in its formative stage. The world over, central bankers and regulators have been addressing themselves to meet the new challenges thrown open by this form of banking. Several studies have pointed to the fact that the cost of delivery of banking service through Internet is several times less than the traditional delivery methods. This alone is enough reason for banks to flock to Internet and to deliver more and more of their services through Internet and as soon as possible. Not adopting this new technology in time has the risk of banks getting edged out of competition. In such a scenario, the thrust of regulatory thinking has been to ensure that while the banks remain efficient and cost effective, they must be aware of the risks involved and have proper built-in safeguards, machinery and systems to manage the emerging risks. It is not enough for banks to have systems in place, but the systems must be constantly upgraded to changing and well-tested technologies, which is a much bigger challenge. The other aspect is to provide conducive regulatory environment for orderly growth of such form of banking. Central Banks of many countries have put in place broad regulatory framework for i-banking. Soon, still higher level of online services will be made available. Other banks will sooner than later, take to Internet banking.

2. LITRETURE REVIEW

E-banking services have witnessed remarkable growth in India, transforming the traditional banking landscape and offering convenience to customers. However, the successful adoption of these services hinges on the awareness levels among the population. Several studies have examined the awareness of e-banking services in India, shedding light on various factors influencing awareness and strategies to enhance it. Research indicates that demographic factors such as age, gender, education, and occupation significantly influence awareness levels. Younger, more educated individuals in urban areas tend to have higher awareness compared to older, rural populations. Socio-economic factors, including income levels and access to technology, also play a crucial role in determining awareness levels. Higher income groups and urban residents typically exhibit greater awareness due to better access to internet infrastructure and digital literacy.

Technological advancements, particularly the widespread adoption of smartphones and internet connectivity, have contributed to increased awareness of e-banking services.

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However, challenges such as disparities in technological infrastructure and digital literacy persist, particularly in rural and underserved areas. Initiatives aimed at enhancing awareness of e-banking services in India include targeted marketing campaigns, financial literacy programs, and policy measures to incentivize digital transactions. While these efforts have yielded positive results, addressing concerns such as security, privacy, and language barriers remains essential to promoting wider adoption.

3. RESEARCH OBJECTIVE

The main objectives of the study are:

- To study the awareness level of service class people regarding E-Banking.
- To find out the frequency and the factors that influences the adoption of E-Banking services.
- To measure the satisfaction level of people.
- To understand the problems encountered in by service class people while using E-Banking services(ATM, Phone banking, etc.)

4. RESEARCH METHODOLOGY

Research is defined as human activity based on intellectual application in the investigation of matter. The primary purpose for applied research is discovering, interpreting, and the development of methods and systems for the advancement of human knowledge on a wide variety of scientific matters of our world and the universe. The term research is also used to describe an entire collection of information about a particular subject.

Methodology is the method followed while conducting the study on a particular project. Through this methodology a systematic study is conducted on the basis of which the basis of a report is produced. It is a written game plan for conducting Research. Research methodology has many dimensions. It includes not only the research methods but also considers the logic behind the methods used in the context of the study and explains why only a particular method or technique has been used. It also helps to understand the assumptions underlying various techniques and by which they can decide that certain techniques will be applicable to certain problems and other will not. Therefore in order to solve a research problem, it is necessary to design a research methodology for the problem as the some may differ from problem to problem.

5. RECOMMENDATION

With the above approach in mind, the Group recommends that the regulatory and supervisory concerns relating to Internet banking can be met in the manner outlined in the following paragraphs. All banks which propose to offer transactional services on the Internet should obtain an in-principle approval from RBI prior to commencing these services. The application should be accompanied by a note put up to the Board of the bank along with Board resolution passed. The Board note should cover the reasons for the bank choosing to enter into such business, the potential penetration it seeks to achieve, a cost-benefit analysis, a listing of products it seeks to offer, the technology and business partners for the products, and all third party support services and service providers with their track record and agreements with them, and the systems and the skills and capabilities it has in this regard and most materially the systems, controls and procedures it has put or intends to put in place to identify and manage the risks arising out of the proposed ventures. The bank should also enclose a security policy framed in this regard which should cover all the recommendations made in Chapter 6 of this report and produce a certification from a reputed external auditor who is CISA or otherwise appropriately qualified that the security measures taken by the bank are adequate and meet the requirements and that risk management systems are in place to identify and mitigate the risks arising out of the entire gamut of Internet banking operations. The RBI could require the bank together with the auditor to hold discussions with the RBI in this regard before granting such approval. After this initial approval is given, the bank would be obliged to inform the RBI of any material changes in web-site content and launch of new products. The assurance about security controls and procedures, which is sought from the specialist external auditors, should be periodically obtained, with the periodicity depending on the risk assessment of the supervisor. Further, banks would also be required to report every breach or failure of the security systems and procedures to RBI, who may decide to subject the failure to an on-site examination or even commission an auditor to do so. The RBI as supervisor would cover the entire risks associated with electronic banking as part of its annual inspections. For this purpose, a checklist could be developed along the lines of those covering general computerized banking featured in the manual developed for inspection of computerized branches. Till such time as the RBI builds up sufficient capability to do this in-house, it is recommended that this function be outsourced to qualified EDP auditors. The focus of the supervisory approach would mainly be the transactional Internet banking services offered by existing banks as an alternative channel. To some extent the concerns in this regard are the same as those arising out of electronic banking in general. The RBI has issued guidelines in the recent past on the "Risks and

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Controls in Computers and Telecommunications" which would be applicable equally to Internet banking. Another supervisory focus would be on Record Maintenance and their availability for inspection and audit. Again, RBI has issued guidelines for these "Preservation and Record Maintenance" which need to be updated to include the risks heightened by banking on the net. Broadly, the record preservation and maintenance policy must encompass record keeping, record retention, record media and record location. The key features of this enhancement would be as follows:

1. The cornerstone of this policy should be security. Access to all bank-related electronic data should be restricted to authorized individuals.
2. All transactional, financial and managerial data pertaining to the previous financial year must be archived before 1 July of the subsequent financial year.
3. A senior officer / executive of the Bank possessing appropriate qualifications, education and/or background should be designated in-charge of the archived data. A possible designation could be Archived Data Security Officer.
4. All access to archived data should be with the authentic (written or by e-mail) approval of this Archived Data Security Officer (ADSO).
5. The role and responsibilities of the ADSO should be clearly delineated and well publicized within the bank.
6. Data so archived should be on such a platform and using such a technology that future alteration / modification / deletion of the data is not possible, once the data is archived.
7. If the technology and/or platform used for data storage involves compression and/or dis-aggregation of data, banks should have in place adequate software/hardware which will ensure easy restoration of the data as and when required by the bank's own departments and also by RBI as well as other statutory authorities.

All transactional, financial and managerial data should be available on-line. If, for reasons of paucity of on-line storage, such data (of the current financial year) has been

1. Backed-up and removed from on-line storage, it must be available in a format and at a location which ensures that the data can be restored on-line within a maximum of 24 hours from the date and time at which the demand for such data is made by users from within the bank or from RBI or other statutory authorities.
2. Similarly, transactional, financial and managerial data of the previous financial year should be made available within a maximum of 48 hours of the date and time at which such request is made by the bank's own users or by the RBI and other statutory authorities.

A vulnerability which is accentuated in Internet banking is the reliance upon third party providers and support services and this requires banks to effectively manage the risks of all outsourced activities. In turn the supervisors should have the ability to assess the risks arising out of such liaisons. Direct supervision of the third party by the supervisor is not envisaged. Accordingly, as part of the Internet policy, banks should develop outsourcing guidelines, which mitigate the risks of disruption and defective service. Alternatively, the IBA (Indian Banks Association) or IDRBT (Institute for Development and Research in Banking Technology) could be asked to develop broad guidelines for the use of the banking community.

6. CONCLUSION

The usage of E-banking is all set to increase among the service class. The service class at the moment is not using the services thoroughly due to various hurdling factors like insecurity and fear of hidden costs etc. So banks should come forward with measures to reduce the apprehensions of their customers through awareness campaigns and more meaningful advertisements to make E-banking popular among all the age and income groups. Further, with increasing consumer demands, banks have to constantly think of innovative customized services to remain competitive.

E-Banking is an innovative tool that is fast becoming a necessity. It is a successful strategic weapon for banks to remain profitable in a volatile and competitive marketplace of today.

In future, the availability of technology to ensure safety and privacy of e-transactions and the RBI guidelines on various aspects of internet banking will definitely help in rapid growth of internet banking in India.

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