

A critical Study of Net-Banking Services in Banks : Strength and Weaknesses



Management

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ABSTRACT

There has been a tremendous and dynamic change in the financial services arena across the world since the last few years. The changed scenario integrating the Indian economy with global economy due to the rapid technological advancements, globalization and deregulation. Western Maharashtra has initiated liberalization which opened up the banking sector to the private sector to provide better coverage of long term financial resources to the customers. Banks provides innovative schemes and services to attract customers and to generate income through fee based services to improve the profitability of banks. Banking industry playing very significant role for the development of rural area. In India most of the banks are providing banking services and products through ATMs, net banking, tele banking as well as provides facilities like credit card and debit cards etc. The technology can be only the solution that ensures accuracy, less time result if used properly. Hence IT awareness of customers and employees of banks is essential. Banks have many schemes like pension scheme, super saving package scheme, recurring deposit scheme and fixed deposit schemes. The schedule commercial banks have adopted innovative banking practices as a new strategy of banking business. Innovative banking refers to using new method, new technician, and novel scheme in deposit mobilization, bank management and credit development. Due to great advancement in information technology it is possible to provide these services through advanced IT setup. This paper focuses on the net banking services provided by the banks to their customers with its strength and weaknesses.

Introduction : Concept of Net Banking:

Net banking is also called as Internet Banking which refers to the banking services provided by the banks over the internet. Various banking services include paying of bills, funds transfer, viewing account statement, etc. Latest products and services of banks can also deliver to their customers over the internet. Net banking is performed through a computer system or similar devices that can connect to the banking site via the internet. In modern days, it is possible to use net banking on the mobile phones using a 3G and Wi-Fi connection. Due to ease of availability of cyber cafes in the cities as well in rural areas, net banking has become quite popular. In the world of globalization banking is now no more limited in going and visiting the bank in person for various purposes like depositing and withdrawing money, requesting for account statement, stop a payment, etc. Customers can do all these tasks and many more using the net banking services offered by the banks. Customers can also keep a track of their account transactions and balance all the time. The main aim of net banking may be the paper less banking to keep the record using paper is old thing.

The common net banking services offered by banks are:

- Transactional activities bill payments, like funds transfer, loan applications and transactions.
- Non-transactional activities like on-line statements, request for cheque book, stop payment, updating customer contact information

While use of net banking care must be taken. It is essential to have knowledge of handling of the technology as well as banking rules and regulations. Using net banking customers can perform various banking services from part of globe. Hence it is need to have knowledge of net banking to perform proper and secure transactions. It is the equal responsibility of banks also to provide quality software and hardware along with the IT awareness training camps to their customers' hence net banking is a need of time.

Objectives

The present study aims to fulfill the following objectives:

- 1) To study the current status of net banking services in the banking sector.
- 2) To find out the strength and weaknesses of net banking services.
- 3) To make some concrete suggestions for the refreshment of net banking in the light of study.

Research Methodology

The present study is empirical research. It is based on the analysis of secondary as well as primary data collected by the researchers. The secondary data is availed from various journals, internet websites of banks and books. The primary data is collected with the help of structured schedules. The opinions of bank managers' as well technical staff about use of net banking are taken into consideration. The data collected from the various sources has been analyzed and interpreted.

Data Analysis and Interpretation

Table No.1: Types of Computer Networks used in the banks:

Sr. No	Type of banks	Districts	LAN Ethernet	WAN	Any other (Stand alone)	No. of respondents
1	Nationalized	Satara	02 (67)	02 (67)	01(33)	03
		Sangli	03 (100)	02 (67)	-	03
		Kolhapur	03 (100)	02 (67)		03
		Solapur	02 (67)	1 (33)	01(33)	03
		Pune	03 (75)	2 (50)	01(25)	04
		A. Nagar	03 (100)	1 (33)	-	03
		Total (%)	19 (85)	10 (52)	03 (30)	19
2	Co-operative	Satara	02 (67)	-	01 (33)	03
		Sangli	03 (100)	-	-	03
		Kolhapur	-	-	-	06
		Solapur	02 (50)	-	02 (50)	04
		Pune	04 (67)	-	02 (33)	06
		A. Nagar	03 (75)	-	01 (25)	04
		Total (%)	14 (60)	-	06 (24)	26

3	Private	Satara	02 (100)	02 (100)	-	02
		Sangli	02 (100)	02 (100)	-	02
		Kolhapur	02 (67)	02 (67)	-	03
		Solapur	02 (100)	02 (100)	-	02
		Pune	03 (100)	03 (100)	-	03
		A. Nagar	02 (100)	02 (100)	-	02
		Total (%)	13 (95)	13 (95)	-	14

*figures in the brackets are percentages. Source: Primary data

Table No. 1 describes the types of computer network used in selected banks under study area. It is found that majority of nationalized banks respondents (i.e. 85%) are of opinion that the LAN Ethernet (Local Area Network) is used for computer networking purpose, whereas 50% respondents responded WAN (Wide Area Network) is used. In case of co-operative banks 60% respondents are of opinion that LAN is used, whereas 24% responded stand alone machines are used.

Majority of private banks (i.e. 95%) respondents responded that LAN as well as WAN is used for networking purpose, that

leads to exchange the data, share the resources, quick communication among the branches located at different places. LAN with WIFI is not used because no need to use such a costly environment to exchange the data at rural branches of the bank.

It is interpreted from above table that both the LAN and WAN networking facilities have used in private banks. As compared to private banks very less facilities of such networking are used in nationalized and co-operative banks. So communication channels are strong in private banks hence transactions like fund transfer, data transfer in between inter branch wise as well as with other banks is possible very quickly. Based on percentage it seems there is very large scope in nationalized and co-operative banks to develop different types of network particularly like WAN.

Table No.2: Internet Connection used in the banks:

Sr. No	Type of bank	Districts	Dial up	Broad band	Not available	No. of respondents
1	Nationalized	Satara	01 (33)	02 (67)	-	03
		Sangli	-	3 (100)	-	03
		Kolhapur	-	03 (100)	-	03
		Solapur	01 (33)	02 (67)	-	03
		Pune	01 (25)	03 (75)	-	04
		A. Nagar	-	03 (100)	-	03
		Total (%)	3(15)	15(85)	-	19 (100)
2	Co-operative	Satara	01(33)	-	2 (67)	03
		Sangli	-	01 (33)	02 (67)	03
		Kolhapur	1(17)	02 (33)	03 (50)	06
		Solapur	-	01 (25)	03 (75)	04
		Pune	-	03 (50)	03 (50)	06
		A. Nagar	-	01 (25)	3 (75)	04
		Total (%)	02(08)	08(28)	16 (64)	26(100)
3	Private	Satara	-	02(100)	-	02
		Sangli	-	02(100)	-	02
		Kolhapur	-	03(100)	-	03
		Solapur	-	02(100)	-	02
		Pune	-	03(100)	-	03
		A. Nagar	-	02(100)	-	02
		Total (%)	-	14(100)	-	14(100)

*figures in the brackets are percentages. Source: Primary data

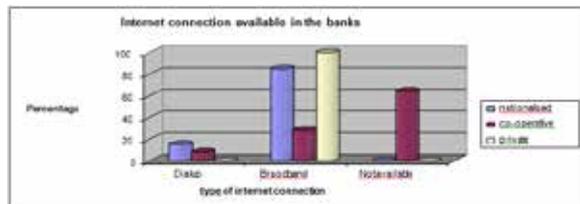


Fig: Internet connection available in the banks

The above table and graph depicts the opinion of the respondents about status of internet connections in the selected banks for exchanging the data required for banking.

Majority of nationalized banks (85%) are using broadband connection and only 15% banks are making use of dial up connection facility for internet connection purpose.

In case of co-operative banks 64% respondents have replied that internet connection is not available, the remaining 28% and 08% have opined that broad band and dial up connections are used respectively. It is also observed that lease line facility is not adopted in the selected banks.

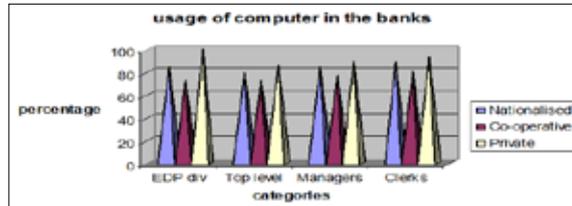
In private banks only broadband is used which is very useful to access and exchange the data speedily. As compare to private banks very less use of internet is found in co-operative and nationalized sector banks.

The internet connection facility used in private sector is advanced as compared to the nationalized and co-operative banks. It is observed that the majority of the private banks use the broad band and lease lines for internet connection. In nationalized and co-operative banks the use of broad band is high, lease line is zero. Few banks use the dial up internet connection

Table No.3: Usage of Computer in the Banks:

Sr. No	Type of banks	Districts	EDP division	Top Level (MD, EO)	Head of Dept./ Managers	clerks	No. of respondents
1	Nationalized	Satara	16(84)	15(79)	16(84)	17(89)	19(100)
2	Co-operative	Sangli	19(73)	19(73)	20(77)	21(81)	26(100)
3	Private	Kolhapur	14(100)	12(86)	12(90)	13(93)	14(100)
		Solapur					
		Pune					
		A. Nagar					

*figures in the brackets are percentages Source: Primary data



The table No.3 and graph furnishes the information about the usage of computer for data entry and decision making purpose.

In nationalized banks the use of computers for electronic data processing (EDP) division is 84%, top level is 79%, manager/HOD is 89% and at clerks and junior officer level is 89% respectively,

whereas very rare users are unaware about the use of computers.

In Co-operative banks the use of computers for EDP division is 73%, top level is 73%, Manager/HOD is 77% and at clerks and junior officer level is 81% respectively. Still it is essential to improve the usage of computers.

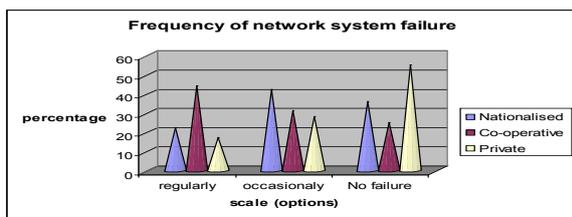
In private banks use of computers for EDP division is 100%, top level is 86%, manager/HOD is 86% and at clerks and junior officer level is 93% respectively.

The usage of computer system in private banks for decision making at EDP division and top level and manager level is more as compare to co-operative banks and nationalized banks. More usage of computer system is very essential to extract any sort of reports through the data stored at centralized place.

Table No: 4: Frequency of network system goes into failure:

Sr. No	Type of banks	Districts	Regularly	Occasionally	No failure	Total No. of respondents
1	Nationalized	Satara	1(33)	1(34)	1(33)	03
		Sangli	-	2(67)	1(33)	03
		Kolhapur	1(33)	1(34)	1(33)	03
		Solapur	1(33)	1(34)	1(33)	03
		Pune	-	2(50)	2(50)	04
		A. Nagar	1(33)	1(34)	1(33)	03
		Total (%)	04 (22)	08 (42)	07 (36)	19 (100)
2	Co-operative	Satara	1(33)	1(33)	1(33)	03
		Sangli	1(33)	1(33)	1(33)	03
		Kolhapur	3(50)	1(17)	2(33)	06
		Solapur	2(50)	1(25)	1(25)	04
		Pune	3(50)	3(50)	-	06
		A. Nagar	2(50)	1(25)	1(25)	04
		Total (%)	12(44)	08 (31)	06 (25)	26(100)
3	Private	Satara	-	1(50)	1(50)	02
		Sangli	-	1(50)	1(50)	02
		Kolhapur	-	1(33)	2(67)	03
		Solapur	01(50)	-	1(50)	02
		Pune	-	1(33)	2(67)	03
		A. Nagar	1(50)	-	1(50)	02
		Total (%)	02 (17)	04 (28)	08 (55)	14(100)

Source: Primary data



The above table and graph gives and idea about the frequency of network system goes into failure in selected banks under study.

In case of nationalized banks 42% respondents are of opinion that problems of network goes into failures is occasionally, 36% have replied no network failures and 22% have replied network

fails regularly.

In case of nationalized banks 44% respondents are of opinion that problems of network goes into failures is regularly, whereas 31% have replied occasionally and 25% responded no network failures.

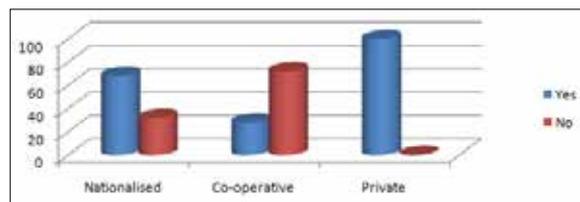
In case of private banks 55% respondents are of opinion that no network failures, 28% have replied problems of network goes into failures is occasionally, 17% have opted network problems occurs regularly.

Data collected regarding frequency of network system failure shows that the percentage of co-operative sector banks is too high as compared to the nationalized and private sector banks. Frequency of network system goes into failure is due to utilization way and hardware quality of computer system.

Table No 5: Net banking facility used in banks:

Sr. No	Type of bank	Districts	Yes	No	No. of respondents
1	Nationalized	Satara	02 (67)	01 (33)	03
		Sangli	2 (67)	01 (33)	03
		Kolhapur	02 (67)	01 (33)	03
		Solapur	02 (67)	01 (33)	03
		Pune	03 (75)	01 (25)	04
		A. Nagar	02 (67)	01 (33)	03
		Total (%)	13 (68)	06 (32)	19 (100)
2	Co-operative	Satara	-	03 (100)	03
		Sangli	01 (33)	02 (67)	03
		Kolhapur	02 (33)	04 (67)	06
		Solapur	01 (25)	03 (75)	04
		Pune	03 (50)	03 (50)	06
		A. Nagar	01 (25)	03 (75)	04
		Total (%)	08(28)	18 (72)	26(100)
3	Private	Satara	02(100)	-	02
		Sangli	02(100)	-	02
		Kolhapur	03(100)	-	03
		Solapur	02(100)	-	02
		Pune	03(100)	-	03
		A. Nagar	02(100)	-	02
		Total (%)	14(100)	-	14(100)

Fig: use of net banking in banks:



The above table and graph depicts the opinion of the respondents about status of net banking facility in the selected banks for exchanging the data required for banking.

Majority of nationalized banks (68%) are using broadband connection and only 32% banks are not provide net banking facility.

In case of co-operative banks 28% respondents have replied that net banking is available and remaining 72% have opined that net banking is not used.

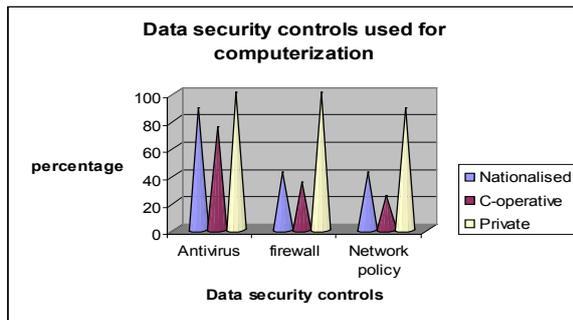
All private banks provide net banking facility to their customer to access and exchange the data speedily.

As compare to private banks very less use of net banking is found in co-operative and nationalized sector banks.

Table No.6: Data security controls used for computerization:

Sr. No	Type of bank	Districts	Antivirus server	Firewall	Network policy	Total No. of respondents
1	Nationalized	Satara	03(100)	2(67)	01(33)	03
		Sangli	03(100)	2(67)	01(33)	03
		Kolhapur	03(100)	2(67)	02(67)	03
		Solapur	03(100)	-	01(33)	03
		Pune	04(100)	2(50)	02(50)	04
		A. Nagar	03(100)	-	02(67)	03
		Total (%)	19 (89)	08 (42)	09(42)	19 (100)
2	Co-operative	Satara	02 (67)	01(33)	01(33)	03
		Sangli	02 (67)	01(33)	01(33)	03
		Kolhapur	05 (83)	02(33)	01(17)	06
		Solapur	03 (75)	01(25)	01(25)	04
		Pune	05 (83)	02(33)	01(17)	06
		A. Nagar	03 (75)	02(50)	01(25)	04
		Total (%)	20 (75)	09 (35)	06 (25)	26(100)
3	Private	Satara	02(100)	02(100)	02(100)	02
		Sangli	02(100)	02(100)	02(100)	02
		Kolhapur	03(100)	03(100)	02(67)	03
		Solapur	02(100)	02(100)	02(100)	02
		Pune	03(100)	03(100)	02(67)	03
		A. Nagar	02(100)	02(100)	02(100)	02
		Total (%)	14 (100)	14 (100)	12 (89)	14(100)

*figures in the brackets are percentages Source: Primary data



The above table and graph gives information about the security controls used in selected banks under study area as security is very important factor to keep data secure.

Majority of nationalized banks (i.e 89%) are say antivirus servers are used, whereas 42% other security controls like firewall and network policies are used.

In co-operative banks 75% respondents have replied antivirus servers are used, whereas 35% firewall and 25% network policies are used as security measure.

It is found that in private banks 100% respondents have replied antivirus servers and firewall used, whereas 89% network policies are configured.

It infers that the data security is more reliable in private banks than in nationalized and co-operative banks. Data security is very essential issue for making secure transactions in banking sector. There is a large scope and need to improve such security in co-operative and nationalized banks particularly in rural area.

The data collected regarding security control and techniques used in the banking sector shows that the responses of private banks are excellent, while the responses of nationalized banks are less than private but more than co-operative. The responses of co-operative banks are at the bottom level in the overall banking sector. The antivirus, firewall, network policies are some essential security control techniques which are basically used as tool of security in the IT setup. If such types of security techniques are not used properly, the bank has to face the tremendous problems.

Strengths of Net banking are:

Net banking has several strength over traditional banking that makes operating a account of bank very simple and convenient. Net banking allows customers to conduct various transactions through banks website and provide various services.

- 1) It is simple to open net banking account and easy to operate.
- 2) Net banking is available all the time, i.e. 24x7. Customers can perform their tasks from anywhere and at any time; even in night when the bank is closed or on holidays. The only thing they need to have is an internet connection.
- 3) Net banking is quite **convenient** as customers can easily pay your bills, can transfer funds between accounts, etc. Now they do not have to stand in a queue to pay off your bills. Also they do not have to keep receipts of all the bills as

they can now easily view your transactions

- 4) Internet banking is fast and efficient. Funds get transferred from one account to the other very fast. You can also manage several accounts easily through internet banking.

Weaknesses of Net banking are:

- 1) First weakness of net banking is that the efficiency is very dependent on the skill of the systems manager. A badly managed net banking may operate less efficiently than non-net banking systems. Also, a badly run network may allow external users into it with little protection against them causing damage. Damage could also be caused by novices causing problems, such as deleting important files.
- 2) Another major weakness of net banking is that users become dependent upon them. Observations are given below:
 - 1) As compared to private banks very less facilities of networking are used in nationalized and co-operative banks. Based on percentage it seems there is very large scope in nationalized and co-operative banks to develop different types of network particularly like WAN.
 - 2) The internet connection facility used in private sector is advanced as compared to the nationalized and co-operative banks.
 - 3) The usage of computer system in private banks for decision making at EDP division and top level and manager level is more as compare to co-operative banks and nationalized banks.
 - 4) Data collected regarding frequency of network system failure shows that the percentage of co-operative sector banks is too high as compared to the nationalized and private sector banks.
 - 5) As compare to private banks very less use of net banking is found in co-operative and nationalized sector banks.
 - 6) The data collected regarding security control and techniques used in the banking sector shows that the responses of private banks are excellent, while the responses of nationalized banks are less than private but more than co-operative.

Suggestions are mentioned below:

- 1) The networking facilities like LAN and WAN in co-operative and nationalized banks should be adopted for better networking.
- 2) In nationalized and co-operative banks internet connection facility should be used improved for fast communication.
- 3) The nationalized and co-operative banks should utilize computers for decision making at top level and managers level for correct and best solutions.
- 4) The nationalized and co-operative banks should take precautions to avoid network failures to avoid disturbance.
- 5) The nationalized and co-operative banks should provide net banking facility to their customers to access fast and secure banking transactions.
- 6) The nationalized and co-operative banks should standard security technique to provide safe transactions to the customers.

Conclusion:

Net Banking has several advantages over traditional banking which makes operating a bank account simple and convenient. After proper utilization, net banking allows employees and customers to conduct various transactions using the bank's website and offers several advantages like data exchange, checking balance, paying electricity bills, water bills, Telephone bills and other any kind of payments can be done on-line using net-banking.

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