



## INTERNET AND DIGITAL ECONOMICS (ON LINE BANKING) IN INDIA

## Arts

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## ABSTRACT

India's internet economy is projected to reach \$1 trillion by 2030, showing substantial growth from \$175 billion in 2022, as per a joint report by Google, Temasek, and Bain & Company. How are our societies being transformed by internet and digital economics? This paper provides an accessible introduction to the economics of the internet and a comprehensive account of the mechanisms of the digital economy. Leading scholars examine the original economic and business models being developed as a result of the internet system, and explore their impact on our economies and societies. Key issues are analyzed, including the development of open source software and on-line communities, peer-to-peer and online sharing of cultural goods, electronic markets and the rise of new information intermediaries, e-retailing and e-banking. The volume examines how internet and digital economics have transformed the organization of firms, industries, markets, commerce, modes of distribution, money, finance, and innovation processes, and provides the analytical tools to understand both these recent transformations and the likely future directions of the 'New Economy'.

## KEYWORDS

- Provides the reader with an in-depth understanding of the economics of digital networks
- Examines the growth of digital industries and current trends in their development
- Outlines new ways of thinking about the phenomena underlying the information revolution

## Internet Banking – A Global Way To Banks In India

Today we are in the era of globalisation. Multinational organisations worldwide have adopted globalisation as their first strategic choice. Advancement in technology has facilitated globalisation too. There has been a marked improvement particularly in the area of maintenance, storage, availability and transfer of data. The world has literally shrunk to become a "global village".

Banks have transformed themselves and are offering services through internet. From computerization to networking to ATMs and now E-Banking, banks have moved up the value chain. Internet banking refers to the use of internet as a remote delivery channel for banking services. It means any user with a personal computer and a browser can get connected to his bank website to perform any of the virtual banking functions. The number of visits to the bank can be minimized effectively by operating from the internet account. Thus the number of contacts required to perform a transaction and solve a problem has been reduced through online banking. The usual branches of banks have culminated into PC networks, whereby the consumer can draw all the benefits and services of the bank at a single click of the mouse. Once the branch offices of bank are interconnected through terrestrial or satellite links, there would be no physical identity for any branch. It would be a borderless entity permitting anytime, anywhere and anyhow banking. A customer can log on banks website and access his account.

## Evolution of technology in Indian banking

The technological development in banking can be traced as follows:-

**1960** - Mechanised banking introduced.

**1970** - Introduction of computer based banking industry.

**1980** - Introduction of computer-linked communication based banking.

Advent of computer technology has created a major impact on working of banks. The computerization and subsequent development in history of Indian banks can be traced back to 1966 when Indian Bankers Association (IBA) along with exchange banks associations signed first wage settlement with the unions, which accounted for the use of IBM or ICT accounting machines for inter-branch reconciliation etc.

## Impact of on line banking

It has been observed that customers who adopt online banking are typically more profitable to the bank, stay with the bank longer and use more products strengthening the bank customer relationship. Information Technology and Internet banking has bridged the information gap, which was interestingly because of human

involvement. Banks can make the information of products and services available on their site, which is, an advantageous proposition. Several banks have been positioning themselves as a one-stop shop financial service provider with a fairly exhaustive range of products, including deposit products, loans, credit cards, debit cards, depository (custody services), investment advice, bill payments and various transactional services.

## Internet banking in India

The Reserve Bank of India constituted a working group on Internet Banking. The group divided the internet banking products in India into 3 types based on the levels of access granted. They are:

## Information Only System

General Purpose information like interest rates, branch location, bank products and their features, loan and deposit calculations are provided in the banks website. There exist facilities for downloading various types of application forms. The communication is normally done through e-mail. There is no interaction between the customer and bank's application system. No identification of the customer is done. In this system, there is no possibility of any unauthorized person getting into production systems of the bank through internet.

## Electronic Information Transfer System

The system provides customer- specific information in the form of account balances, transaction details, and statement of accounts. The information is still largely of the 'read only' format. Identification and authentication of the customer is through password. The information is fetched from the bank's application system either in batch mode or off-line. The application systems cannot directly access through the internet.

## Basic I-Banking:

Here, bank sets up infrastructure for internet banking and for accessing basic services like opening an account, paying utility bills and checking the balance.

## Virtual medium:

Here internet is taken as an official medium for financial transactions. Buying and selling activities can be undertaken through banks payment gateway technology. Today most of the banks are having their own functional websites through which banks are serving customers.

## Services through e-banking

## Bill payment service

It facilitates payment of electricity and telephone bills, mobile phone, credit card and insurance premium bills as each bank has tie-ups with various utility companies, service providers and insurance companies, across the country. To pay our bills, all we need to do is complete a simple one-time registration for each biller. We can also set up standing instructions online to pay our recurring bills, automatically. The bank does not charge customers for online bill payment.

### Fund transfer

We can transfer any amount from one account to another of the same or any another bank. Once we login to your account, we need to mention the payees' account number, his bank and the branch. The transfer will take place in a day or so, whereas in a traditional method, it takes about three working days. ICICI Bank says that online bill payment service and fund transfer facility have been their most popular online services.

### Credit card customers

With Internet banking, customers can not only pay their credit card bills online but also get a loan on their cards. If we lose our credit card, we can report lost card online.

### Railway pass

Indian Railways has tied up with ICICI bank and we can now make our railway pass for local trains online. The pass will be delivered to us at our doorstep. But the facility is limited to Mumbai, Thane, Nasik, Surat and Pune.

### Recharging prepaid phone

Now we just top-up our prepaid mobile cards by logging in to Internet banking. By just selecting our operator's name, entering our mobile number and the amount for recharge, our phone is again back in action within few minutes.

### Shopping

With a range of all kind of products, we can shop online and the payment is also made conveniently through our account. We can also buy railway and air tickets through Internet banking.

### Advantages of online banking

The advantages of online banking can be encapsulated as:

- Convenient
- Unaffected by boundation of operational timings.
- No geographical barriers
- Services can be offered at very low cost
- cost per transaction through internet banking is very low.

### Challenges in internet banking

Internet banking in India is in its earliest stage of development. Most of them are offering basic services only. The deregulation of banking industry coupled with the emergence of new banking technologies is enabling new competitors to enter the financial services market quickly and efficiently. Indian internet banking faces following challenges:

**Proper understanding of the customer** For this a massive survey must be undertaken may be in collaboration with other banks.

**Need for transparency** in offering services as customers awareness has grown considerably.

**Breach of privacy** online transactions enter straightaway into the records revealing the identity of customer. Thus black money cannot be transferred with ease.

**Bandwidth** Though companies claim to offer good speed and high bandwidth, still there are problems in accessing high speed on net. Internet banking can go high only on the wings of proper infrastructure comprising telecommunications and bandwidth.

**Computer literacy in India is still very low** and that is a barrier in fast acceptance of Internet banking. **The mindset** of the Indian customer needs to be changed.

**Cracking login and passwords** is a common way of fiddling with the data.

**Denial of services** Directing millions of queries can block computer network.

**Data Diddling** Data can be modified in an unauthorized manner. A customer can therefore receive bills of higher amounts than the actual transactions

**Session hijacking** Hijackers become unauthorized intermediaries between the server and the client; they can then hijack the data and

prevent it from reaching the destination. Most online transactions involve disclosing up of the credit or debit card number. Hackers can very easily track down these numbers. They can thus enjoy the full benefits of the card without being an actual cardholder.

**RBI** has issued some **guidelines** on Internet banking for safety of customers and banks. Some of which are:

**Application for account opening** can be accepted over Internet but account should be opened only after proper introduction and physical verification of the customer.

**Security procedure** adopted by bank, for authenticating user, must be recognized by law as a substitute for signature, from a legal perspective. The **secrecy** and confidentiality of customers account has to be maintained.

**Consumer Protection Act** is applicable to banking services as well. Information Technology Act 2000 has given **legal recognition** to creation, transmission and retention of an electronic (magnetic) data to be treated as evidence in court, except in those areas which continue to be governed by the provisions of Negotiable Instruments Act **1881**.

### Security precautions

Customers should never share personal information like PIN numbers, passwords etc with anyone, including employees of the bank. It is important that documents that contain confidential information are safeguarded. PIN or password mailers should not be stored, the PIN and/or passwords should be changed immediately and memorised before destroying the mailers.

Customers are advised not to provide sensitive account-related information over unsecured e-mails or over the phone. Take simple precautions like changing the ATM PIN and online login and transaction passwords on a regular basis. Also ensure that the logged in session is properly .Internet banking is changing the banking industry and is having the major effects on banking relationships out.

### Security token devices

Protection through single password authentication, as is the case in most secure Internet shopping sites, is not considered secure enough for personal online banking applications in some countries. Basically there exist two different security methods for online banking.

The PIN/TAN system, the PIN represents a password which is used for the login and TAN represents one-time passwords to authenticate transactions.

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