Research Paper Commerce

Utilisation of Banking Products by The Customers

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ABSTRACT

Electronic banking implies performing basic banking transaction by customers round the clock globally through electronic media. It also defined as "delivery of bank services to a customer at his office or home by using electronic technology and this has resulted in conceptualization of Virtual banking". It covers computer, telephone and other delivery channels.
In recent time E-banking has spread rapidly all over the globe. All Banks are making greater use of E-banking facilities to provide batter service and to excel in competition. The spread of E-banking has also greatly benefited the ordinary customer in general and corporate world in particular. The facilities of E-banking are:
Automated Teller Machines (ATMS), Plastic Card Currency, Mobile Banking, Telebanking, Electronic Clearing Services (ECS), Electronic Funds Transfer (EFT), National Electronic Funds Transfer System (NEFT), Cheque Truncation System. The suggestion of the study in E-banking should be offered to public free of charge as possible, and to provide trained banking staff in various of E-banking
The study indicates that the advances in technology and telecommunications have certainly introduced new delivery channels for the commercial banks product and services. These new delivery channels include Automated teller machines (ATMs), Internet banking, Mobile banking, Telebanking and Electronic fund transfer (EFT). Among these new delivery channels Automated teller machine (ATMs) are the most widely accepted and highly utilized delivery channel by the customers. The banks have to educate customers in the use of every new technology / delivery products to make use of it. On the whole e- banking increased operational efficiencies and reduces costs, besides giving a platform for offering value added services to the customer,

KEYWORDS Electronic Banking, paperless transaction, Electronic Payment system, Tele communication, Consumer services.

1 INTRODUCTION:

In developing countries like India, the use of technology for day–by-day business and personal transactions has seen a major boost. The banking industry is a paradigm of industries that have experienced a major uplift with the use of technological innovation. The change in banking is unparallel when compared to the entire period of banking history in India. Profitability, which remained a taboo for bankers since independence has become a buzz word. In recent days the growing universalisation and internationalization of banking operations, driven by a combination of factors, such as the continuing deregulation, heightened competition and technological advancements, have altered the face of the banks from one to more intermediator to one of provider of quick , efficient and consumer friendly services.

Electronic banking implies performing basic banking transaction by customers round the clock globally through electronic media. It also defined as "delivery of bank services to a customer at his office or home by using electronic technology and this has resulted in conceptualization of Virtual banking". It covers computer, telephone and other delivery channels.

In modern days, to meet fierce competition the bankers should adopt technology to provide effective services through computerization of branches, introduction of cash management products, remote access logins for corporate, Mobile banking, Internet banking and ATM banking.

2. BENEFITS OF E- BANKING

In recent time E-banking has spread rapidly all over the globe. All Banks are making greater use of E-banking facilities to provide batter service and to excel in competition. The spread of E-banking has also greatly benefited the ordinary customer in general and corporate world in particular.

2.1 Benefits to Consumers:

General consumers have been significantly affected in a positive manner by E-banking. Many of the ordinary tasks have now been fully automated resulting in greater ease and comfort.

- Customer's account is extremely accesses able with an online account.
- Customer can withdraw can at any time through ATMs that are now widely available throughout the country.
- Besides withdrawing cash customers can also have mini banks statements, balance inquiry at these ATMs.
- Through Internet Banking customer can operate his account while sitting in his office or home
- E banking has also greatly helped in payment of utility bill.
- The Growth of credit card usage also owes greatly to E-banking. Banks are available 24 hours a day, seven days a week and they are only a mouse click away.

2.2 Benefits to Banking Industry:

Banking industry has also received numerous benefits due to growth of E-Banking infrastructure. There are highlighted below:

- The growth of E-banking has greatly helped the banks in controlling their over heads and operating cost
- Many repetitive and tedious tasks have now been fully automated resulting in greater efficiency, better time usage and enhanced control.
- The rise of E-banking has made banks more competitive. It has also led to expansion of the banking industry, opening of new avenues for banking operations.
- Electronic banking has greatly helped the banking industry to reduce paper work, thus helping them to move the paper less environment.
- Electronic banking has also helped bank in proper docu-

mentation of their records and transactions.
- The reach and delivery capabilities of computer networks, such as the Internet, are far better than any branch network.

2.3 Benefits to General Economy:
Electronic Banking as already stated has greatly serviced both the general public and the banking industry. This has resulted in creation of a better enabling environment that supports growth, productivity and prosperity. Besides many tangible benefit in form of reduction if cost, reduced delivery time, increased efficiency, reduced wastage, e-banking electronically controlled and thoroughly monitored environment discourage many illegal and illegitimate practices associated with banking industry like money laundering, frauds and embezzlements. Further E-banking has helped banks in better monitoring of their customer base. This it is a useful tool in the hand of the bank to device suitable commercial packages that are in conformity with customer needs. As E- banking provide opportunity to banking sector to enlarge their customer base, a consequence to increase the of volume of credit creation which results in better economic condition, Besides all this E-banking has also helped in documentation of the economic activity of the masses.

3. E- BANKING PRODUCTS
The famous quote by Bill Gates that banking is vital to a healthy economy, but banks themselves do not highlight the crucial nature of the electronic forces that are affecting banks, more than any other financial service provider group. This transition of business operations by banks have created new mode of operation called e-banking. The second Rangarajan Committee constituted in 1988 drew up a detailed perspective plan for computerization of banks and for extension of automation to other areas. Such E-banking products provided by banks are ATMs, Internet Banking, Mobile Banking, Telephone Banking, Debit cards, Credit cards, EFT (Electronic Fund Transfer), Electronic Clearing Service, NEFT (National Electronic Fund Transfer), Cheque Truncation System etc.

AUTOMATED TELLER MACHINES (ATMs)
An automated teller machine (ATM) is a computerized telecommunications device that provides the customers of a financial institution with access to financial transactions in a public space without need for a human clerk or bank teller.

Till the beginning of 90s, banks had only one delivery channel which was the branch. Technology has opened up several options of delivery channels. By the end of 1990, private and public sector banks in India came up with their own ATM net works under the initiative of the Indian Bank Association. The Bank of India was the first nationalized bank to render ATM facilities to its customers in Mumbai.

ATM has become the popular and convenient delivery channel used by people in the rural and in urban areas. It is the most accepted and popular user-friendly technology for even the rural customers. Thanks to liberalization and the reduction in ATM cost due to fall in customs duty, banks are able to install more.

An ATM is one, which a customer can use with a card having PIN to withdraw cash, information and other services. It is a device used by bank customers to process account transactions. ATM has bought innovations in the banking sector all over the world. The customers are more dependent on the Brick –and –Mortar branch of a bank, since the advent of the ATM has made the concept '24*7=365 days Banking', 'Anywhere Banking', and 'Anytime Money' a reality. Thus ATM helps banks to retain their customer loyalty because convenience acts as tremendous psychological boost to customers at all time. It is also known as 'Automated Banking Machine', 'Money Machine', 'Cash Machine', 'Cash dispenser', 'Hole-in-the-Wall', 'Automatic Teller', 'Cash point' or 'Bancomat'.

PLASTIC CARD CURRENCY
Electronic payment is an integral part of electronic commerce. Plastic cards also known as plastic currency involving electronic device in their functioning which gains popularity as a convenient mode of payment. The goal of online commerce has been to develop a set of payment methods which are widely used by consumers and widely accepted by the merchants and banks. The biggest push to the economy will be the increased plastic usage which will ensure a trail of the transaction, and will ooze the parallel black economy market.

INTERNET BANKING
Banks have traditionally been in the forefront in the making use of technology to update their products, services and efficiency. They began using electronic and telecommunication networks for delivering a wide range of value added products and services for a long time. With the popularity of personal computers (PC),easy and better access to Internet and world wide web(WWW) it is being used increasingly by banks as a channel for receiving instructions and delivery their products and services to their customers.

Internet Banking is the latest in the series of technological wonders in the recent involving use of internet for delivery of banking products and services. It is also called as 'On-line banking' is nothing more than traditional banking services delivered through an electronic communication device viz. the Internet. The major advantage of internet banking is that the user can utilize the services from 'anywhere' at 'anytime'. Internet banking products and services can be divided into two parts namely: I) Internet banking services for customers II) Internet banking for effective E-Payments and E-Remittances.

A number of banks have set up banking portals, which enables their customers to access facilities like eliciting information, querying on their accounts etc. Banks now view with one another to introduce newer and larger products and services to their customers. Broadly, the levels of banking services offered through internet can be categorized into three types:

First level: Basic level service:
Under this system of internet banking, the website of the banks bulge with information about many products and services offered to customers and members of the public in general. It also receives and replies to customers' queries through e-mail.

Second level: Simple transactional websites:
The second level Simple transactional websites, allow the customers to submit their instructions, applications for their account balances etc. They do not permit any fund-based transactions on their account.

Third level: Fully transactional websites:
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 an to transact purchase and sale of securities, etc. These forms of Internet banking services are offered by traditional banks, as an additional method of serving the customer or by new banks which deliver banking services primarily through internet or electronic delivery channels as value added services.

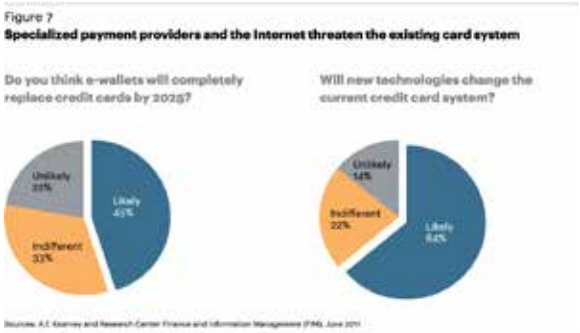
Endorse new payment methods
Customer loyalty, contact, emotion, convenience, and data ownership are inextricably linked by one question: What is the future bank customer's preferred way to pay? Our study finds the top five most important point-of-sale payment methods by 2025:

- Smart phones with NFC chips in combination with e-wallets (26 percent)
- Mobile payments via online payment systems such as PayPal (22 percent)
- Debit card (14 percent)

- Credit card (12 percent)
- Cash (5 percent)

Although there appears to be some uncertainty in the industry about the future of tools such as e-wallets, mobile devices are likely to be the future wallets, mobile ATMs, and financial management tools (see figure 7). Previous A.T. Kearney research identified the key features of payment: convenience, guarantee, speed, control, insurance and trust, flexibility, reporting, and privacy.[1]

Figure 7
Specialized payment providers and the Internet threaten the existing card system



Payment solution providers, especially those offering e-wallets or online payment capabilities, will steadily accompany the customer. Odds are that traditional banks will face major difficulties in catching up with innovative solutions. Customers are increasingly handling their e-commerce via other providers. Bank involvement is only in the background and might even become dispensable. A broad adoption of NFC is expected to widen the market for cashless methods and gradually replace cash, credit cards, and debit cards. Indeed, 64 percent of study participants believe the combination of Internet and NFC could threaten the credit card infrastructure, which was once a competitive advantage.

The shrinking importance of cash and the rise of e-currencies exacerbates the threat for today's banks of being excluded from future developments and new payment possibilities. Indeed, 21 percent believe cash will be abolished or play a minor role by 2025; while 78 percent estimate that cash usage will be 25 percent by that time. Therefore, we expect the dominance of banks and credit card institutions to diminish. Established banks are advised to catch up in providing solutions that go beyond credit cards, debit cards, and mobile banking. To play a dominant role in retail banking, banks must start addressing the market challenges and competition.

MOBILE BANKING

Mobile banking is quite a new form of electronic banking product and it is gaining ready acceptance from the customers. This type of electronic banking has become one of the customer-friendly facilities, which can have far reaching implications for the financial sector as a whole. It takes the bank to the customers' cell phone. The mobile communication devices are revolutionizing banking transactions over wireless networks and the internet to attract and retain customers, banks need to extend their full range of services across a wide range without having an impact on their infrastructure and delivery channel it currently supports.

A wireless network, mobile gateways all plays a significant role in bringing mobile banking strategy to the market. Its communication facilities are of immense use to even illiterate customers. It is cost effective and assists the rural consumers in reaching the customer and banker instantly.

In India banks with the facility of mobile banking, services at present provide a limited number of services to their customers. The potential for Mobile banking is endless with the scope for introduction of new services and products on a large scale. In Mobile banking, the concept of 'anywhere' and 'proximate banking' is at fingertips of the customer literally.

A customer can access his/her account details on a mobile phone by using the Short Messaging Service (SMS) technology which select a data is entered in to the mobile phone. The customers can carry out a number of conventional transactions by remaining in office, or home, in fact from anywhere with a mobile phone.

Services offered through Mobile banking:

- Account balance – clear balance and total balance.
- Mobile alerts such as Debits and Credits to the accounts.
- Registered bill payment.
- Last few transaction statement (mini statement).
- Request for cheque book.
- Password change for mobile banking.
- Suspension of mobile banking services.
- Transfer of funds from one account to another etc.

TELEBANKING:

Telebanking is another innovative form of electronic banking introduced by banks through which banking services or products rendered through telephone to its customers. It is definitely one of the most convenient modes of transacting banking business. A customer can access his/her account through the telephone at anytime or at anywhere throughout the country with the same telebanking PIN they desire. Customers can carry on a number of transactions from their home or office; in fact, from anywhere they have access to a phone and in a very convenient and comfortable manner.

Telebanking is offered by the banks through a technology known as Interactive voice response service (IVRS). Basically this system, accept only 'tone' dialed input from callers telephones instruments and provides suitable voice response messages and information to the caller. It is available 24 hours a day 7 days a week. In other words, it provides round the clock banking. The potential of telebanking is limitless and it is often projected as a future potential growth area.

Now many banks in India provide this facility to their customers to carry on their transactions with the banks.

3.6 ELECTRONIC CLEARING SERVICES (ECS)

Electronic Clearing Service (ECS) is a non- paper based movement of funds, which is encouraged by the RBI on a wide scale. ECS (credit clearing) is a mode of payment whereby an institution makes a large number of payments like interest, dividend, salary, pension to a large number of investors/ share holders/employees/ex-employees and can make the payments electronically instead of issuing paper warrants. There is no value limit for making ECS credit payments. ECS credit is becoming very popular for crediting salaries, pensions and vendor payments. ECS credit has received a boost on account of CVC guidelines for prohibiting cash payments, cash transaction tax and also SEBI guidelines on payment of dividends.

3.7 ELECTRONIC FUNDS TRANSFER (EFT)

Electronic Fund Transfer was introduced on the basis of the recommendations of the 'Saraf committee' appointed by RBI on "Technology Issues" in 1994. The scheme has been in operation since February 1996.Electronic fund transfer system (EFT) is one of the important electronic banking services offered by commercial banks to attract and retain their customers. It is an easy and speedy mechanism to facilitate the transfer of funds from one place to another. Compared to all other existing systems of fund transfer, EFT is the most convenient system, which facilitates the instant transfer of funds from one end to the other.

Electronic fund transfer system enables the customers to transfer money instantly from one bank account to another one of the same or another customer, from one branch or the other of the same bank or a different bank not only within the country, but also within anywhere else of the world through electronic message.

With the introduction of EFT, the existing systems of funds

transfer namely cheques, Demand drafts (DD), Mail transfers (MT), Telegraphic transfers (TT) and money orders (MO), have lost their significance. These traditional systems of fund transfer have their own limitations. EFT system offers is advantageous to the banker as well as the customers.

EFT system enables the beneficiary to receive money on the same day or on the next day of money transfer. Because money is transferred instantly, this system minimizes the loss of interest as far as the customer is concerned. It eliminates paper cheques and late payments. It also literates the customer from worry and fear of theft or loss of money during transit. EFT helps banks to reduce their cost of administration by around forty per cent. It is completely paperless transaction mechanism, which accelerated the speed of transfer or exchange of money.

3.8 NATIONAL ELECTRONIC FUNDS TRANSFER SYSTEM (NEFT)

The Reserve Bank of India introduced a payment system called the "RBI National Electronic Funds Transfer System" which is referred as "NEFT". The operationalisation of the NEFT in 2005 was a major step in the direction of selling up and operating a national level payment system. The NEFT is a secured network, which uses the Structured Financial Messaging Solution (SFMS) messaging format with Public Key Infrastructure (PKI) enabled digital signatures retail electronic payment system having a nation-wide network.

NEFT brings greater efficiency in the movement of funds and reduction in risks relating to the transfer of funds. All the SEFT (Special Electronic Fund Transfer) clearing banks were advised to migrate to NEFT system by December 15, 2005. With the implementation of NEFT, the SEFT system was dis-continued from February 2006.

NEFT at present is available in nearly 42 banks and over 3000 branches of banks and is expected to reach all the branches which are covered by Real Time Gross Settlement (RTGS). Once NEFT is stabilized, NEFT Extended would be launched to reach the branches nearby to the networked branches so that rural facilitation of funds transfers on a T plus 1 basis is possible. NEFT like Real Time Gross Settlement (RTGS) uses the Indian Financial Systems Code (IFSC) for routing purposes. Each branch of the participant banks has a code which is similar to the SWIFT code.

3.9 CHEQUE TRUNCATION SYSTEM

The Reserve Bank of India took several measures periodically to develop and improve the efficiency of the payment and settlement system in the country. The implementation of Cheque Truncation System (ETS) is yet another effort from the side of RBI for improving the efficiency of paper-based clearing systems. Cheque truncation is a system of cheque clearing and settlement between banks based on electronic data/images or both, without physical exchange of instrument. It may be defined as the replacement of the physical cheque flow with electronic information within all four legs of the clearing cycle (Outward clearing, Inward clearing, Outward returns and Inward returns).

The working group appointed by RBI under the Chairmanship of Dr.R.B.Barman on "Cheque Trancation and E-cheques" recommended cheque truncation system by the presenting bank. Under CTS, paper instruments do not travel beyond the presenting bank. The system would entail the physical cheques being truncated within the presenting bank to derive maximum efficiency. It is up to banks to take a decision on the point of truncating the cheque at the branch or service branch or gateway level. Electronic images would be used for payment processing. Grey scale technology for image capture could be used for imaging.

The CTS enables banks to handle the payment instruments in an easier way. Customers also enjoy the benefit of encashing their cheques faster. Apart from reduction in transactions costs, for banks as well as customers, the full implementation of CTS would make it possible, to achieve T plus 1 clearing cycle as CTS is straight through processing and automated payment processing enabled system. Moreover, with CTS, banks also have the additional advantage of getting reduced their reconciliation problems and incidents of clearing frauds. In order to ensure that banks gear up with the desired infrastructure well in time, detailed guidelines were issued to banks regarding the hardware communication requirements.

5 SUGGESTIONS

- Facilities for E-banking should be offered to public free of charge as possible.
- Bank staff to be trained to market various facilities of E-banking with special reference to Internet banking, Mobile banking, Telebanking and EFT.

6. CONCLUSION

Electronic banking has become a necessary survival weapon and is fundamentally changing the banking industry worldwide. Today, it offers the bank customers services at a much lower cost and also empowers them with unprecedented freedom in choosing vendor for their financial service needs. It also increased the ease of bank transactions and also reduced time of the customers in the banking hall. The advances in technology and telecommunications have certainly introduced new delivery channels for the commercial banks product and services. These new delivery channels include Automated teller machines (ATMs), Internet banking, Mobile banking, Telebanking and Electronic fund transfer (EFT). Among these new delivery channels Automated teller machine (ATMs) are the most widely accepted and highly utilized delivery channel by the customers. The banks have to educate customers in the use of every new technology / delivery products to make use of it. On the whole e- banking increased operational efficiencies and reduces costs, besides giving a platform for offering value added services to the customer, thereby fulfilling all essential prerequisites for a flourishing banking industry. In a developing country like India, there is need for providing better and tailored services to the customers to satisfy their desires. Therefore, banks must be concerned to the attitudes of customers with regard to acceptance of e-banking. In a nutshell, to meet the emerging challenges, banks have to embark on a series of changes in structure, functions, practices and marketing to popularize e-banking.

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