

A DESCRIPTIVE STUDY ON THE FUNCTIONS, TYPES AND ANALYSIS OF INTERNET BANKING

Fifty Joseph*

Abstract

The Indian banking sector has emerged as one of the strongest drivers of India's economic growth. Internet banking is the term used for new age banking system. Electronic banking or e banking is the term that describes all transactions that take place among companies, organizations, and individuals and their banking institutions. Without even interacting with the bankers, customers transact from one corner of the country to another corner. Electronic banking has experienced explosive growth and has transformed traditional practices in banking

In Internet banking system the bank has a centralized database that is web-enabled. In a country like India, there is need for providing better and customized services to the customers. This study aims at to analyze the functions performed by online banking and also the advantages as well as disadvantages of the same.

Key words: online banking, password security, fund transfer, payment history

* Assistant professor, School of Commerce, Rajagiri College of Social Sciences (Autonomous), Kalamassery, Kerala, India

1.Introduction

The concept of Internet banking has been simultaneously evolving with the development of the World Wide Web. Programmers working on banking data bases came up with ideas for online banking transactions, sometime during the 1980s. In 1983, the Nottingham Building Society, commonly abbreviated and referred to as the NBS, launched the first Internet banking service in United Kingdom. This service formed the basis for most of the Internet banking facilities that followed. This facility was not very well-developed and restricted the number of transactions and functions that account holders could execute. The facility introduced by Nottingham Building Society is said to have been derived from a system known as Prestel that is deployed by the postal service department of United Kingdom.

The first online banking service in United States was introduced, in October 1994. The service was developed by Stanford Federal Credit Union, which is a financial institution. The online banking services are becoming more and more prevalent due to the well-developed systems. Though there are pros and cons of electronic cash, it has become a revolution that is enhancing the banking sector.

1. Objectives of the study

1. To understand the genesis and concepts of online banking
2. To analyse the importance, functions , advantages and limitations of online banking
3. To analyse the different forms of online banking

4. Concept of Online banking

The concept of virtualization play a vital role to transform banking industry from paper banking to paperless banking which will majorly benefit the customers of banking industry. Internet Banking works as a milestone to achieve the customer satisfaction towards the services provided by commercial banks. Internet Banking is a type of banking which allowed customers to access their financial and banking services via internet world wide web. It's called an Internet Banking because an Internet bank has no boundaries of brick and mortar and exists only on the internet. With cybercafés and kiosks springing up in different cities, access to the Internet Banking is going to be easy.

The application of IT in Banks has reduced the scope of traditional or conventional banking with manual operations. Nowadays banks have moved from disbursed to a centralized environment, which shows the impact of IT on banks. Banks are using new tools and techniques to find out their customers need and offer them tailor made products and services.

5. Functions of Internet Banking

Internet Banking has definitely made the life easy for users by providing online access to various banking services.

Online banking allows us to do various services with the click of a mouse. You can:

1. Pay a bill.

Electronic bill payment service allows a depositor to transfer money from his or her online account to a creditor or merchant, for example to a public utility or a outlet. There is no need to stand in a long queue on a weekend morning to handle your transactions!

The payment is practically instant, though some financial institutions can wait until the next business day to send out the payment. If it is necessary, the bank can publish and mail a paper cheque or banker's draft to a creditor who is not set up to receive electronic payments.

2. Schedule payments in advance.

Most banks recommend clients the ability to schedule a payment on a particular date. Once the amount is entered and the payee is checked off, the funds are automatically deducted from their online bank account.

3. Transfer funds.

With online banking, one can make money transfers between their own accounts, or send money to a third party account as well. All what need is recipient/payee information and enough funds in the account. Quite often, the operations are performed in real time.

4. Manage all accounts in one place.

Online banking is an enormous time saver because it provides a chance to handle a number of bank accounts (checking, savings, CDs, IRAs, etc.) from a single site. Most new accounts will be automatically added to OB (Online Banking).

5. Apply for a loan or credit card.

By using an account online, one can apply for a credit card or a loan (a car loan, a student loan, a mortgage, a home equity loan, etc.) from the same bank. If one have a good credit score and long relationship history with your bank, their application is likely to be accepted.

6. Purchase and manage CD accounts.

One can purchase a certificate of deposit from their bank If they have money to invest, Online banking compare all available offers as well as the terms, for example APY or maturity periods.

7. Increase your overdraft.

Log in to online banking and click on 'Overdraft' in the menu & can increase overdraft online.

8. Track payment history.

Online banking provides an opportunity to look for payments by transaction type, date, description or amount.

9. Integrate the data with personal finance programs.

Online banking bring in electronic payment data in personal finance software such as Quicken or Microsoft Money. An Internet connection and online account log in information is all that needed.

10. Utilize investment research

One can receive real-time quotes, analytics, news and stock market information to make a more relevant and profitable decision.

Online banking offers you a quick and convenient way to manage your money. In fact, though it varies from bank to bank, there are generally few types of transactions or other management actions that cannot be done online with an established account. Because this type of process deals directly with people's money, security measures must be robust, and most banks have layers of security at work. Overall, online services are a type of banking that opens access to an efficient way to manage your money.

5. Types of Online banking.

Account Management

Online banking systems allow you to log in through their website and view your account information. There may be several passwords or log-in codes you have to input to gain access to your account. You can check your current balance and balance history, initiate transfers between

accounts, and view account activity. You can also order checks and view check images with this type of banking service.

Deposits and Payments

Direct deposit is a type of banking that allows you to provide a routing number so money can be transferred into your account automatically. For example, employers often use direct deposit to automatically deposit paychecks. This is an electronic deposit done online. It is also possible to set up automatic payments so that you can pay bills and have the amount withdrawn electronically from your account. This type of banking is an easy way to pay recurring bills like utility payments and insurance premiums.

Debit Cards

Debit cards work like credit cards except that they automatically withdraw money from your bank account, and are one of the most common types of online banking transactions. When you use a debit card, information about the purchase is put into a computer system and then transmitted online to your bank, where the transaction is processed within your account.

E-statements

E-statements, or electronic statements, are your regular bank statements made available online. According to GSA Federal Credit Union, e-statements are guarded by electronic safeguards, and are actually less likely to obtain by identity thieves than a paper statement sent through the mail. Many banks and credit unions recommend this type of online banking for security reasons.

6. Advantages of Internet Banking

Internet Banking has several advantages over traditional one which makes operating an account simple and convenient. It allows you to conduct various transactions using the bank's website and offers several advantages. Some of the advantages of internet banking are:

- Online account is simple to open and easy to operate.
- It is quite convenient as you can easily pay your bills, can transfer funds between accounts, etc. Now you do not have to stand in a queue to pay off your bills; also you do not have to keep receipts of all the bills as you can now easily view your transactions.

- It is available all the time, i.e. 24x7. You can perform your tasks from anywhere and at any time; even in night when the bank is closed or on holidays. The only thing need to have is an active internet connection.
- It is fast and efficient. Funds get transferred from one account to the other very fast. Can also manage several accounts easily through internet banking.
- Through Internet banking, one can keep an eye on transactions and account balance all the time. This facility also keep account safe. This means that by the ease of monitoring account at any time, can get to know about any fraudulent activity or threat account before it can pose account to severe damage.
- It also acts as a great medium for the banks to endorse their products and services. The services include loans, investment options, and many others.

7. Disadvantages of Internet Banking

Though there are many advantages of internet banking, but nothing comes without disadvantages and everything has its pros and cons; same is with internet banking. It also has some disadvantages which must be taken care of. The disadvantages of online banking include the following:

- Understanding the usage of internet banking might be difficult for a beginner at the first go. Though there are some sites which offer a demo on how to access online accounts, but not all banks offer this facility. So, a person who is new, might face some difficulty.
- cannot have access to online banking if you don't have an internet connection; thus without the availability of internet access, it may not be useful.
- Security of transactions is a big issue. Account information might get hacked by unauthorized people over the internet.
- Password security is a must. After receiving password, do change it and memorize it otherwise account may be misused by someone who gets to know password inadvertently.
- cannot use it, in case, the bank's server is down.
- Another issue is that sometimes it becomes difficult to note whether transaction was successful or not. It may be due to the loss of net connectivity in between, or due to a slow connection, or the bank's server is down.

8. Conclusions

. Internet Banking is a type of banking which allowed customers to access their financial and banking services via internet world wide web. It's called a Internet Banking because a Internet bank has no boundaries of brick and mortar and exists only on the internet. The application of IT in Banks has reduced the scope of traditional or conventional banking with manual operations. Nowadays banks have moved from disbursed to a centralized environment, which shows the impact of IT on banks. Banks are using new tools and techniques to find out their customers need and offer them tailor made products and services. Though there are many advantages of internet banking, but nothing comes without disadvantages and everything has its pros and cons; same is with internet banking

9. Reference

1. kinci, S., Aksoy, S. and Atilgan, E. (2008), 'Adoption of internet banking among sophisticated consumer segments in an advanced developing country', *International Journal of Bank Marketing*, Vol.22 (3), pp. 212-32.
2. Aladwani, M. Adel (2011), 'onlinebanking: a field study of drivers, development challenges, and expectations', *International Journal of Information Management*, pp. 213-225.
3. Barnes, J.G., Howlett, D. M. (2006), 'Predictors of equity in relationships between financial services providers and retail customers', *International Journal*
4. Durkin, M., Jennings, D., Mulholland G. and Worthington, S. (2008), Key influencers and inhibitors on adoption of the Internet for banking, *Journal of Retailing and Consumer Services*, Vol.15, pp. 348-357.
5. Eriksson, K., Kerem, K., & Nilsson, D. (2008), the adoption of commercial innovations in the former Central and Eastern European markets. The case of internet banking in Estonial, *International Journal of Bank Marketing*, Vol.26 (3), pp. 154-69.
6. S. and T. Overton(2010), "Estimating Nonresponsive Bias in Mail Surveys," *Journal of Marketing Research*, Vol. 14, No. 3:396-402, 1977.
7. C.H Gupta (2004) 'E Banking in India'

8. K.c Sharma(2007) 'Indian Banking'

INTERNET BANKING WEBSITES:

1. <http://jms.nonolympictimes.org/Articles/marticle.pdf> Last assessed 11th march 2013
2. <http://www.scribd.com/doc/25049932/Final-Project-on-E-banking> Last assessed 12th march 2013
3. <http://arraydev.com/commerce/JIBC/2010-08/Dixit.pdf> (literature) Last assessed 12th march 2013
4. <http://www.iibms.org/pdf/Ebooks/E-Banking%20Management>.