



E BANKING PROBLEMS AND PROSPECTS

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Abstract : India's banking system is a mix of commercial, cooperative, specialized, and central banks, with 20 (at present 12) nationalized banks and the State Bank of India controlling over 90% of the market. Co-operative banks provide low-cost financing, while specialized banks finance overseas commerce and foreign exchange transactions. The Reserve Bank of India (RBI) oversees commercial banks and manages the money supply. E-commerce, which delivers information, products, or payments via telephone lines, has reduced transaction costs, increased customer security, and paper work. However, it faces challenges like security, privacy, disclosure, infrastructure, and workers.

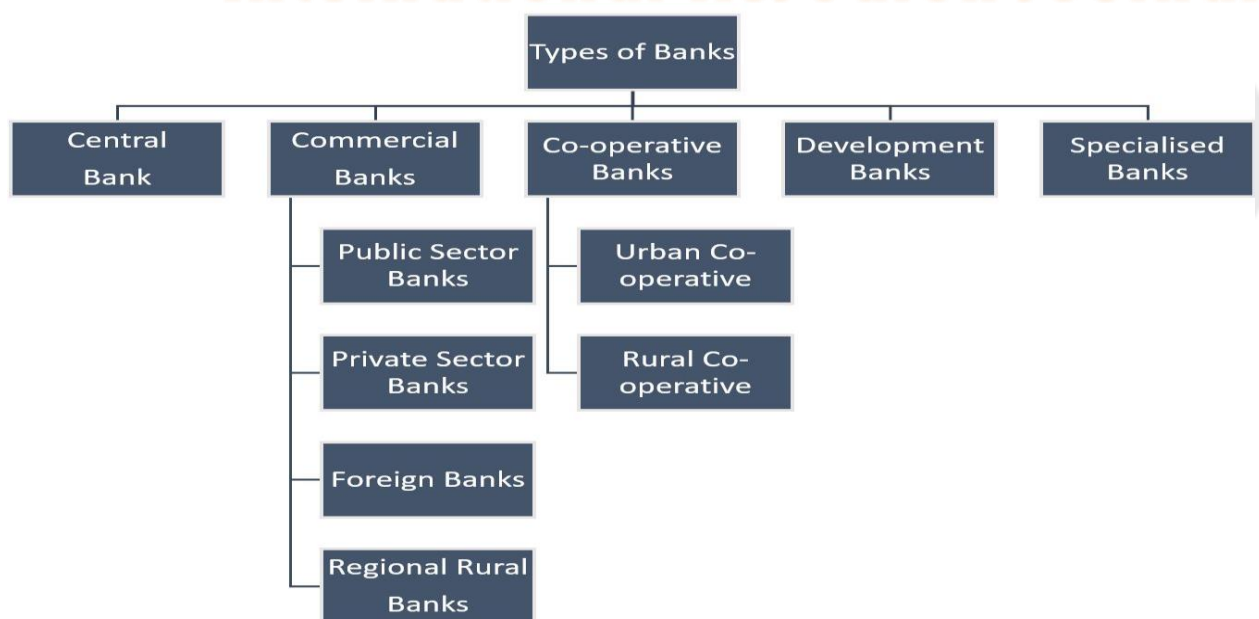
Keyword: - RBI, Bank, Money, E-Commerce, security etc.

ORIGIN OF THE WORD "BANK"

Hospital or health care waste is generally named & popular as biomedical waste. The world health organization defines biomedical waste as ,''Waste generation by healthcare activities & includes blood, used needles, pharmaceuticals, radioactive materialsetc.'' The biomedical waste is also known as infectious waste or medical waste or healthcare waste. According to biomedical waste management & handling rules 1998 of India. Biomedicalwaste means any waste which is generated during the diagnosis, treatment orimmunization of human being or animals or in research activities. In simple words biomedical waste is the waste generated by the medical & healthinstitute/agencies.

KINDS OF BANKS

Modern economies have diverse financial needs, leading to various types of banks such as commercial, cooperative, specialized, and central banks to cater to these needs.



Commercial banks

Commercial banks are joint stock businesses that receive chequable deposits from the public and lend them out. They are the greatest component of any country's banking sector and often provide short-term loans and advances. Commercial banks in India are controlled by the Indian Banking Regulation Act of 1949, which bans them from engaging in any activity other than banking. In India, a mixed banking system has emerged, with 20 (at present 12) nationalized banks and the State Bank of India controlling

more than 90% of the banking market. Capitalist nations, such as the United Kingdom and the United States, often have private sector ownership.

Co-operative banks

Co-operative banks offer low-cost financing through self-reliance and mutual partnership. India's cooperative banking system is small compared to the commercial banking sector, accounting for less than a fifth of total credit outstanding at commercial banks. The system consists of three tiers: basic "credit societies, central cooperative banks, and state cooperative banks". Primary credit societies meet rural farmers' urgent and medium-term financial requirements, whereas urban co-operative banks and employee credit societies offer non-agricultural loans. Central co-operative banks link primary societies to the country's money market, whereas state co-operative banks lend to central banks to boost lending activity.

Specialised banks

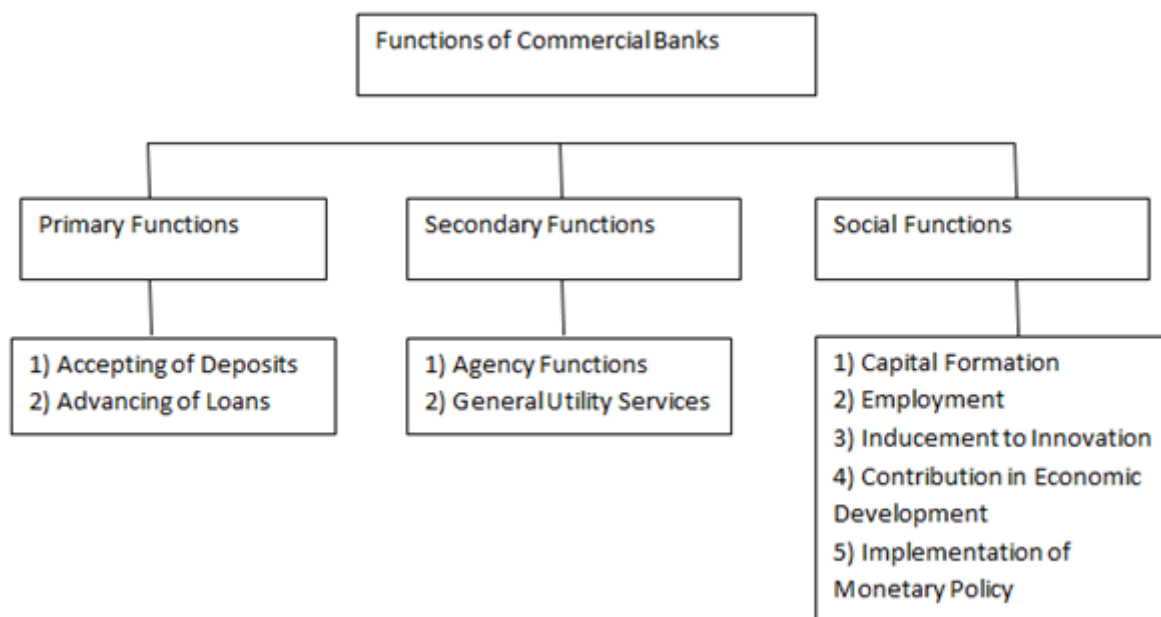
In India, specialized banks include land development banks, development banks, industrial banks and foreign exchange banks, overseas exchange banks generally finance overseas commerce and conduct foreign exchange transactions, whereas industrial banks offer long-term loans for the purchase of equipment and machinery. The government established development banks to meet the requirements of small industries. Land development banks, mostly at the district level, address agriculture's long and medium-term financial demands. The Agricultural Refinance and Development Corporation (ARDC) offers medium- and long-term financing for agriculture, whereas the "Export-Import Bank of India (EXIM BANK)" plans, promotes, and develops exports and imports. In Western nations, specialist banks such as discount houses, investment banks, and labour banks serve the people's specific requirements.

A Central bank

A central bank is a country's top monetary authority, in charge of overseeing commercial banks and managing the money supply. It regulates and develops the banking system, which influences monetary and credit circumstances. The RBI, which was formed in 1935, serves as India's central bank. Despite being state-owned, it operates as a semi-government entity, outside of legislative authority.

FUNCTIONS OF COMMERCIAL BANKS

Commercial banks are not just depositories, but also provide safe custody deposits for valuables like jewellery, deeds, and securities. They also offer services as depository or trustee, providing various more important services. A commercial bank's functions fall into various categories.



EMERGING CHANGES OF BANKING INDUSTRY IN INDIA

Banks worldwide have adopted various computer systems for computerization, based on customer needs and technology availability. The banking sector has responded to technology improvements in order to fulfill rising client expectations while lowering operating expenses. Stand-alone systems operate separately, with each computer having its own input, processing, and output devices. These systems can be used for online processing or batch processing applications, such as inter-branch reconciliation and computerized processing of cheques. Networked systems allow control of branch operations from one computer at a branch, allowing banks to provide various customer services. Overall, the choice of computer system depends on customer needs, technology availability, and operational costs.

The Dr. Rangarajan Committee on Mechanisation in Banks (1984) provided a blueprint for computerization in Indian commercial banks, proposing two models of machines for branch-level mechanisation: "Model-I consisting of stand-alone dedicated functional machines called Advanced Ledger Posting Machines (ALPM), and Model-II, which is a single multi-user system with adequate storage and processing capacity".

The State Bank of India was the first bank to implement computerisation, using a mainframe computer for batch processing applications such as inter-branch reconciliation. “The Model-II method installs a single multi-user system with enough storage and processing capability in the branch, which is known as back-office mechanization”.

ALPM software is user-friendly, with menu-driven options for a variety of operations such as begin-day functions, account opening, transaction posting, standard instructions, cheque issuance, interest computation, and day-end functions. The program includes logical checks, such as determining if the cheque series was issued to the same client, postdated, countermanded, or within the available amount or limit.

The software also provides an inquiry facility, allowing customers to check their account status at any time and receive up-to-the-minute information. Security checks are built into the software, including passwords for each user, back-up procedures, and check-sum generation.

In conclusion, the computerisation of Indian commercial banks has been facilitated by the introduction of advanced Ledger Posting Machines (ALPM) and the implementation of backoffice mechanisation systems.

CONNECTIVITY AMONG COMPUTERS

Communication facilities facilitate the exchange of data and messages between computers, hence increasing planning and control operations and maximizing resource utilization for greater service and cost-effectiveness. “The Dr.Rangarajan Committee on Computerisation (1989)” proposed three options for total branch computerisation in Indian commercial banks: having a super minicomputer or super micro with online terminal, having personal computers operating on a Local Area Network (LAN), or connecting on-line terminals or PCs at the counter and back-office to a central system with appropriate safety guards. Total computerisation provides an integrated solution for a wide range of branch activities, saving data on a disk in a minicomputer and accessible from any terminal. This can be implemented in a modular fashion, with General Ledger entries automatically updating the database.

E-Commerce



“From a communications perspective, E-commerce is the delivery of information, products/services, or payments via telephone lines, computer networks, or any other means.”

“From a business process perspective, E-commerce is the application of technology toward the automation of business transactions and workflows.”

Electronic Data Interchange (EDI)

It preserves data integrity and accelerates the business cycle, leading to savings. EDI originated in the US and has expanded to industries like warehouses, pharmaceuticals, and electronics. “The International Standards Organisation (ISO) and the UN Economic Commission for Emerging Challenges in Business & Banking (UN/ECE) develop and promote international standards like EDIFACT”.

“The Government of India has designated the Ministry of Commerce as the nodal agency in India”, for promoting and implementing Electronic Data Interchange the Ministry has organized three groups for the aforementioned aim. These are:

- (i) Steering Group
- (ii) India EDIFACT Committee
- (iii) EDI Council of India;

TYPES OF E-COMMERCE

There are three distinct general classes of electronic commerce applications:

- (1) Customer-to-Business, (C to B)
- (2) Inter-Organizational (Business-to-Business)
- (3) IntraOrganizational (with in business)

TYPES OF E-COMMERCE WEBSITES



RATIONAL OF E-BANKING

The Internet is a worldwide computer network that connects hundreds of servers and millions of clients using protocols as a common language. Two essential protocols are Transmission Control Protocol and the Internet Protocol (TCP/IP). "The first Internet was developed by the US Department of Defense in the late 1960s". "The Internet Society (ISOC) is the ultimate authority for guiding purposes, appointing the Internet Architecture Board (IAB) for technical management and direction". The Internet provides a framework for client-server interactions, with clients being software applications that access and work with data provided by servers.

The World Wide Web (WWW) is a revolutionary technology that connects worldwide Internet resources into a seamless, interactive environment. Originally launched at CERN, it aimed to allow physicists to share information about their research. Hypertext links information within documents, allowing users to easily navigate and comment on content. "The Web works on the Hypertext Transfer Protocol (HTTP) and the Hypertext Markup Language (HTML)", with HTTP governing hypertext delivery and HTML codes creating and formatting documents. Recent advances in technology, such as browsers like "Mosaic, Netscape Navigator, and Internet Explorer, have transformed the Web into a highly interactive environment, supporting formatted text, graphics, and sound and video". The ease and extensibility of the Internet have spurred its growth.

REVIEW OF LITERATURE

Khubchandani, B.S., "Practice and Law of Banking". The paper explores the history and functions of banks in India, as well as the banking system and the role of E-Banking in promoting them. In this manner, the founding of the RBI and its functions are explained, which assist to lead the RBI's promotional role. It includes the connection between the RBI and commercial banks, as well as banks and customers. In this regard, the author discusses banks, banking, customers, banker rights, and banking operations. Banking activities are a crucial element of the job. The author briefly describes all banking activities such as bills of exchange, bank account closers, statements of accounts, various types of services, bank services, and so on.

Malhotra, A.P., "E-commerce, and E-banking". The author defines E-Banking as banking utilizing electronic means. E-Banking provides a variety of services, including "Electronic Fund Transfers, ATM, Point of Sale, Electronic Data Interchange, Internet Banking, Telebanking, and Anywhere Banking, benefiting customers, banks, merchants, traders, and the government". The author provides the findings of a survey conducted by the "National Association of Software and Services Companies (NASSCOM)" to assess the state of e-commerce in India. In this context, topics relating to E-banking, Cyberlaws, and IT Bill 2000 are represented in the paper.

Credit Suisse First Boston predicts that the UK would have 28 million mobile phone users by 2001, accounting for over half of the total population. By 2009, individuals will have more than one mobile device due to the advent of new ones.

T.M. Bhasin's paper "E-Commerce in India Banking" explores the scope, idea, models, and implementation strategies of E-Commerce in the Indian banking industry. The digital age has had a significant impact on both human life and finance. E-trading e-sourcing, e-purse, e-cash and E-commerce are popular terms nowadays. E-commerce may significantly help banks and financial institutions by reducing transaction costs, improving customer service, increasing constituent loyalty, and providing up-to-date business analytics.

G.R.K., Murty, "Banking in the DOTCOM World: A Preview". This essay aims to provide a glimpse of the upcoming transition in banking style and management norms. Emerging economies have unique opportunities but also require new norms. According to e-business experts, those who follow the new standards will succeed, while those who reject them will struggle.

Saxena Ashutosh , Gulati, V.P., Ganapathy, and K.R., "IT Security Policy for A Bank". The study examined security policies for banks using electronic banking technologies. It is critical for any business to set a security policy and then construct a strategy that is enforceable and offers assurance within the organisation. To determine the appropriate security policy, we must first identify the specific security profile needed. The SSE-CMM is a useful tool for assessing security engineering capabilities. The SSE-CMM tool evaluates and improves an organization's security engineering procedures, supplementing current assurance approaches.

OBJECTIVES OF STUDY

Thus, to perform the suggested study in a methodical and analytical manner, the researcher has set the following objectives:

1. To examine the role of information technology in the banking industry, as well as the numerous services offered by E-Banking businesses.
2. Determine if developments in the banking industry necessitate the use of E-Banking.
3. Determine the cost effectiveness and quality of services of E-Banking transactions as compared to traditional banking services.
4. To investigate the numerous challenges associated with the E-Banking industry from the perspectives of bankers and customers.

METHODOLOGY

Collection of Data

To fulfill its stated goals, the study employs both primary and secondary data. The core data was gathered via administering a survey with well-designed questions. The first is for bank executives, and the second is for consumers to learn about their perspectives and difficulties. During the study, 40 officials from each bank were contacted. To acquire client feedback, 50 customers from each bank were polled. Secondary data were gathered from a variety of publications, periodicals, magazines (IBA, RBI, and others), reports (from various institutions), and the Internet.

TRENDS IN IMPACT OF TECHNOLOGY IN BANKS

Technology is increasingly affecting banks, as businesses must adapt to fast changing client requirements. Customers, whether individual and corporate, are aware of the fast growth of technology and its possible uses in banks. They have their own perspective of what services banks can supply to help them survive and thrive in the competitive climate. Banks are pushed to utilize technology to improve customer service, which is critical for their survival and development. Customers now want "Anyhow Banking," leaving the "how" part to banks. Banks have responded to these expectations by providing telebanking services, such as account information, loan information, and loan applications. They also offer "what-if" decision support systems and electronic mail for routine correspondence and problem-solving.

E-BANKING

ATM	Teller Phone Service	Telebanking through Computer Terminals	. Electronic Payments and Funds Transfer System
1. Architecture of an ATM (Automated Teller Machines)	1. Push Button Phone	Telebanking	(i) Credit Card
2. Card Issue	2. Instructions to the Customer	Computer Terminals	(ii) Debit Card
3. Cash Withdrawal	3. Operations		(iii) Smart Card
4. PIN Verification and Card Seeking	4. Security		(iv) ATM Card
5. Deposits			
6. House Keeping			
7. Shared Payment Network System (SPNS)			

LEGAL FRAME WORK FOR ELECTRONIC BANKING

The RBI may issue new regulations controlling the Electronic Funds Transfer System to let banks and financial institutions to use other payment methods. The RBI and IBA should work with the Department of Telecommunications to encrypt data files and messages to improve access to remote branches. The Bankers Books Evidence Act of 1881 and other related Acts should be amended to allow computer printouts and electronic records as primary evidence. A Standing Committee on Legal Issues in Electronic Banking may be established, and the Reserve Bank may issue regulations controlling cheque transaction. The

Committee may also evaluate relevant regulation/legislation governing the netting of interbank payment obligations resulting from EFT systems.

Other Technology Related Issues - Plan for Banks

They should select branches with automation and computerization and review their systems and procedures to adapt to new technology. The goal is to create a hi-tech bank, distinct from other branches. Processes should be reviewed based on new technology, ensuring they align with other branches. Banks that can easily introduce new systems and procedures can proceed with reengineering.

TESTING OF HYPOTHESIS

E-Banking is crucial for India's banking industry, enabling agility, leanness, and costeffectiveness. However, customer adoption depends on legal framework. Data was collected from officials and customers through questionnaires, presented in tabular form in the first chapter. The study of HDFC Bank and CITI Bank reveals that E-Banking services are more convenient and have transformed the banking definition. Customers can access credit cards, make transactions through Mobile Banking, Internet Banking, Phone Banking and ATM services, ensuring risk-free life and convenient payment options.

Ho- Cost of transaction and E-Banking are independent to each other.

H 1- Cost of transaction and E-Banking are not independent, cost has come down due to E-Banking.

Status	So many fold	Half of earlier	Remain same	Has increased	Total
Obtained	5	90	-	5	
Expected	25	25	25	25	
O-E	-20	65	-25	-20	
(O-E) ²	400	4225	625	400	
(O-E) ²	16	169	25	16	226

= Calculated value of Chi Square > Critical Value = 226 > 3.84

Status	So many fold	Half of earlier	Remain same	Has increased	Total
Obtained	5	83	-	12	
Expected	25	25	25	25	
O-E	-20	58	-25	-13	
(O-E) ²	400	3364	625	169	
(O-E) ²	16	135	25	16	183

= Calculated value of Chi Square > Critical Value = 183 > 3.84

Thus, "Ho is rejected, so we can say that due to E-Banking the cost of transaction has come down to its earlier level"

E-Banking has significantly reduced transaction costs, providing customers with more security and less risk. It also reduces paper work and helps fulfill business requirements. E-Banking services are reliable and provide 24/7 services, allowing customers to access services from any branch at any time. This convenience saves time and improves customer relations and reliability. Quality service is crucial for improving the business of banks. Customers can choose banks that provide E-Banking services according to their requirements, and banks must be reliable with prompt and quality services. E-Banking services can be costly due to infrastructure investments and overhead expenses, but they are generally cheaper and more accessible in India.

E-banking has a good image, but there are certain drawbacks, including security, privacy, disclosure, infrastructure, and workers. The internet is not a safe system, and there are risks such as hacking and data loss. To overcome these difficulties, a legislative framework must be developed to benefit customers. The use of E-Banking will increase dramatically following the passage of Cyber Laws by Parliament, which will make digital signatures and magnetic media admissible evidence in court of law. Customers would identify as bank customers rather than branch customers, and they will be able to access the bank whenever they want.

The IT Bill 2000, drafted by the Union Ministry of IT and Parliamentary Affairs, seeks to offer legal legitimacy to electronic transactions while also addressing the issue of overlapping laws and government regulations between states and nations. It also proposes cyber laws to manage rapidly developing Internet-related crimes, including punishments for computer crimes such as unauthorized access to computer networks, virus transmission, system damage, software copying, electronic forgeries, and offenses such as altering source documents. The measure also recognizes the role of Internet Service Providers (ISPs) in electronic commerce and highlights the importance of clear standards outlining their obligations and limitations of liability. Regulators must learn from the experiences of industrialized nations in determining what to regulate, when, how much, and how quickly to handle the myriad issues created by electronic banking.

ISSUES RELATED TO E-BANKING

-Business Issues

- Who should be the target customer?
- What is the appropriate operational scale?
- What technology should be adopted?

- What should the marketing plan be?

Nationalised banks should target customers in metropolitan and urban areas who are willing to pay for electronic services. However, they should also consider the potential for foreign banks and private sector banks to expand their reach. Extending electronic banking to semi-urban and rural areas could result in business bonanzas. The government intends to expand connectivity to distant areas, and technology allows for the operation of bank accounts via cell phones, which reduces expenses. Nationalised banks have traditionally given progress and wealth to rural India, achieving social goals, and should do so in the future.

Payment System Issues	Privacy Issues	Security Issues
(1) Risk management techniques?	Are there data collecting and maintenance agreements?	Security is one of the most important topics to consider when using electronic banking systems. There is a significant threat
(2) Money laundering, digital signatures, Laws governing money transmissions, internet initiated value transfers?	What laws, rules, and regulations control privacy issues?	(1) Unauthorized access, loss, or destruction to data by hackers.
(3) Network agreements?		(2) Loss and damage of data by virus.
(4) Processing of international transactions?		(3) Unauthorised access within the network.
(5) Hardware configuration?		These challenges may be handled using the many solutions available in the industry. These include
(6) Software agreements/licenses ? Issues related to E-Banking I (272)		(1) DES Data Encryption Standards
(7) Clearing House Agreements? etc.		(2) Firewalls
		(3) Secured Socket Layer
		(4) MAC Sequential incrementing Key value
		(5) RSA Public and Private Key
		By appropriately resolving security issues, the risk of introducing new and sophisticated Electronic Banking technologies may be significantly minimized.

-Employee Issues

What should be the remuneration policy for employees engaged in such work?

What should be the code of conduct to be followed by employees?

-Regulatory Issues

India desperately requires a framework to promote the growth of e-commerce. There have been two legislations prepared in this respect. The Ministry of Commerce introduced the Electronic Commerce Bill, while the Department of Electronics introduced the Information Technology Bill. * What are the permissible electronic banking activities? * Are there any capital or liquidity requirements? * What are the data processing activities? * Reporting requirements? * Agreements between correspondent banks? * What are the prerequisites for a joint venture or a partnership? * What are the regulations governing electronic fund transfers? * What about Control over the supply of e-cash? * Foreign Exchange Management for E-cash? * Taxation? * Arbitration requirements? * Law pertaining to unlawful access to financial institution databases and computer fraud. * Antitrust laws? * Statutory and voluntary disclosure requirements? * Privacy policies?

CONCLUSION

The Indian banking industry has evolved significantly, with electronic banking becoming a dominant aspect. Banks now offer various services such as Telephone banking, Point of Sale Devices, internet banking, ATMs and e-commerce. The research study focuses on the evolution and growth of banking in India, emerging changes, and the role of information technology in the sector. E-Banking services have increased customer numbers, business efficiency, and satisfaction. The main reasons for choosing E-Banking include convenience, better infrastructure, prompt service, decreased transaction costs, 24x7 banking facilities, quality service, lower costs, and a focus on security and legal risks.

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