

## E-Banking, M-Banking and Customer Satisfaction in Rural Villages in Tamil Nadu

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### Abstract

In the banking sector rural village of Tamilnadu customers in banking E-banking is defined as the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels. Customers access e-banking services using an intelligent electronic device, such as a personal computer (PC), personal digital assistant (PDA), automated teller machine (ATM) and Mobile devices. Distribution of banking services through the Internet is an important part of this transformation. The objectives of this is mainly to examine the role, which Internet banking can play as a new distribution channel of banking services for the benefit of both financial institutions and customers. Services through the Internet allow customers to use banking transactions round the clock from anywhere around the world effectively. Internet banking systems are well secured to prevent unauthorized access and safeguard the integrity of the data. Electronic Fund Transfer (EFT) offers several services to consumers by using Electronic devices. Conducting banking operations using the mobile phone will be available to all customers at anytime, anywhere. Although banks stand to derive benefits from involvement in electronic banking transactions, they are also exposed to some significant new risks. Revolutionary developments in technology continue to transform the banking industry.

### Introduction

In the banking sector rural village of Tamilnadu customers in banking E-banking is a generic term for delivery of banking services and products through electronic channels, such as the telephone, the internet, the cell phone, etc. It facilitates an effective payment and accounting system thereby enhancing the speed of delivery of banking services considerably. Mobile banking is a way for the customer to perform banking actions on his or her cell phone or other mobile device. It **is popular among the Rs.1 to 9 lakhs per year income group with almost 72%** of mobile banking users falling in the income bracket, an indicator of adoption of this service by younger generation. First conceptualized in the mid-1970s, some banks offered customers electronic banking in 1985. However, the lack of Internet users, and costs associated with using online banking, stunted growth. The Internet explosion in the late-1990s made people more comfortable with making transactions over the web. **With over a 45.9 million internet users in India**, banks are aggressively looking to convert their customers to online banking. **In the rural** In the banking sector rural village of Salem customers in banking E-banking.

### Objectives:

1. To improve service, save time, reduce process errors and reduce the cost of core service process.
2. To improve morale and give people the tools and the time they need.
3. To protect consumers and other users of the payment system against financial or other types of risks with a view to enhancing confidence of consumers of electronic money services.
4. To the process of issuing a specific guideline to banks on the appropriate framework for establishing their electronic banking and electronic money business.

### In the banking sector rural village of Tamilnadu customers in banking E-banking

1. From the view point of customers
  - E-Banking provides 24 hours, 365 days a year service to the customers of the bank.

- Customers can make some of the permitted transactions from office or house or while travelling via mobile telephone.
- It inculcates a sense of financial discipline by recording each and every transaction.
- Create customer satisfaction by offering unlimited access to bank

2. From the view point of banks

- E-Banking provides competitive strength to the bank
- E-Banking provides unlimited network to the bank and is not limited to the number of branches
- Load on branches can be considerably centralized data base and by taking over some of the accounting functions.

### **E\_Banking Services**

Electronic banking, also known as electronic fund transfer (EFT), uses computer and electronic technology as a substitute for checks and other paper transactions. EFTs is initiated through devices like cards or codes, or those authorize, access the account.

#### **Electronic Fund Transfers:**

EFT offers several services that consumers may find practical. Many financial institutions use ATM or debit cards and use Personal Identification Numbers (PINs) for validation purpose.

#### **Automated Teller Machine (ATM):**

ATMs used as spring board for Electronic Fund Transfer. ATM itself can provide information about customers account and also receive instructions from customers - ATM cardholders. An ATM is an Electronic Fund Transfer terminal capable of handling cash deposits, transfer between accounts, balance enquiries, cash withdrawals and pay bills.

#### **Credit Cards/Debit Cards:**

The Credit Card holder is empowered to spend wherever and whenever he wants with his Credit Card within the limits fixed by his bank. Debit Card, on the other hand, is a prepaid card with some stored value. The buyers account is debited with the exact amount of purchases. An individual has to open an account with the issuing bank which gives debit card with a Personal Identification Number (PIN).

#### **Smart Card:**

Banks are adding chips to their current magnetic stripe cards to enhance security and offer new service, called Smart Cards. Smart Cards allow thousands of times of information storable on magnetic stripe cards.

#### **Bill payment service:**

One can facilitate 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. Generally, the bank does not charge customers for online bill payment.

#### **Fund transfer:**

One can transfer any amount from one account to another of the same or any another bank. Customers can send money anywhere in India. The transfer will take place in a day.

#### **Investing through Internet banking:**

One can now open an FD online through funds transfer. Now investors with interlinked demat account and bank account can easily trade in the stock market and the amount will be automatically debited from their respective bank accounts and the shares will be credited in their demat account.

**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 memorized before destroying the mailers.

**Informational Websites and Transactional Websites:**

Transactional websites provide customers with the ability to conduct transactions through the financial institution’s website by initiating banking transactions or buying products and services. Informational websites provide customers access to general information about the financial institution and its products or services.

**Common E-Banking Services**

Retail Services	Wholesale Services
Account management	Account management
Bill payment and presentment	Cash management
New account opening	Small business loan applications, approvals, or advances
Consumer wire transfers	
Investment/Brokerage services	Commercial wire transfers
Loan application and approval	Business-to-business payments
Account aggregation	Employee benefits/pension administration

**E-Banking Support Services**

Some of the most common support services are: web linking, account aggregation, electronic authentication, website hosting, payments for e-commerce, and wireless banking activities. Electronic person-to-person payments, also known as e-mail money, permit consumers to send “money” to any person or business with an e-mail address. Financial institutions that host a business customer’s website usually store, or arrange for the storage of, the electronic files that make up the website. Financial institutions that host a business customer’s website usually store, or arrange for the storage of, the electronic files that make up the website. A web link is a word, phrase, or image on a webpage that contains coding that will transport the viewer to a different part of the website. Wireless banking occurs when customers access a financial institution's network(s) using cellular phones, pagers, and personal digital assistants (or similar devices) through telecommunication companies’ wireless networks.

**Challenges for E-Banking**

Although banks stand to derive benefits from involvement in electronic banking transactions, they are also exposed to some significant new risks. Some of these risks are

1. Strategic risk- i.e. banks may be unable to adapt successfully to changes in the business environment created by electronic banking.
2. Operational risk-including conditions in which the computers and network technology that support electronic banking could malfunction. In relation to banking on the Internet, there is also the increased risk of unauthorized access to and alteration of information.
3. Risks may be heightened where a bank does not adequately educate its customers about security precautions.
4. In the event of lack of visible evidence to support any transactions entered into by a customer, the latter may repudiate certain transactions thus inflicting severe financial losses on banks.

### **Mobile Banking Services**

- ✓ Conducting banking operations using the mobile phone has been fast catching up around the world for its convenience. One can do their banking operations sitting anywhere, anytime. It is discreet, personalized and on phone. It is an empowering and user-friendly mode of accessing the bank account.
- ✓ The Mobile Banking Service will be available to all the customers having a satisfactory running account (Current/ Savings). The customers will have to register for the services.
- ✓ Daily transaction limits for fund transfer/ bill/ merchant payment is Rs.50,000/- per customer with an overall calendar month limit of Rs.2,50,000.00
- ✓ The service will be carrier-agnostic i.e. all customers can avail the mobile banking service with the Bank irrespective of the service provider for their mobiles.
- ✓ The service is free of charge.
- ✓ Mobile Payments are any monetary transactions that take place with the help of a mobile phone.

### **There are three primary types of mobile payments:**

- ❖ **M-Commerce:** Mobile phones linked to credit/debit cards can be used to make payments typically for transportation, vending machines etc.
- ❖ **E-Money:** Cash loaded in the mobile phones at service provider outlets. Consumers use this virtual cash as real value for all types of transactions.
- ❖ **Banking Channel:** Mobile phone used for accessing the bank accounts. All payments are routed through the bank.

### **Indian Scenario**

- Most Indian banks offer mobile banking facilities. RBI has cautiously encouraged the trend with guidelines on mobile banking with putting in place Rs 5000/- limit on withdrawals via a mobile banking transaction to avoid fraud.
- The mobile payments market is still at its infancy in India and it is estimated that the current daily transaction volumes today will be in the range of Rs 5-10 Million. Even if 5% of mobile bill payment and recharge shifts onto mobile payments platform the industry can grow to Rs200 Million a day.

### **Challenges for a Mobile Banking**

1. There is a lack of common technology standards for mobile banking. Many protocols are being used for mobile banking .There are a large number of different mobile phone devices and it is a big challenge for banks to offer mobile banking solution on any type of device.
2. Security - Security of financial transaction, being executed from some remote location and transmission of financial information over the air, are the most complicated challenges that need to be addressed.

3. Scalability & Reliability - As customers will find mobile banking more and more useful, their expectations from the solution will increase. Banks unable to meet the performance and reliability expectations may lose customer confidence.

4. Application Distribution - Due to the nature of the connectivity between bank and its customers, it would be impractical to expect customers to regularly visit banks or connect to a web site for regular upgrade of their mobile banking application. It will be expected that the mobile application itself check the upgrades and updates and download necessary patches.

5. Personalization - It would be expected from the mobile application to support personalization such as:

- Preferred Language
- Date / Time format
- Amount format
- Default transactions
- Standard Beneficiary list
- Alerts

### **Conclusion**

Nowadays, most leading banks offer both online banking and de-mat account. There are many advantages of E and mobile banking. It is convenient, it isn't bound by operational timings, there are no geographical barriers and the services can be offered at a miniscule cost. Through Internet banking, one can check the transactions at any time of the day, and as many times as want to.

Mobile banking in India is set to explode - approximately 43 million urban Indians used their mobile phones to access banking services during quarter ending August, 2009, a reach of 15% among urban Indian mobile phone user. The mobile banking usage will grow from 10 million active users in 2009 to over 53 million active users in 2013, representing a compound annual growth rate of 51.8%. While a number of industry and governmental forces are combining to fight Internet fraud, financial institutions continue to invest heavily in online services. The benefits are too great to turn back, despite worries about security. Active online banking users not only show greater loyalty to their bank, but they almost always carry higher balances.

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