



## A STUDY ON IMPACT OF ONLINE BANKING SERVICES

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### **Abstract:**

The Online Banking Services are increasing day by day in the banking sector in India. In this articles aims to examine the Online Banking Services of the Banking Sectors in India. Online banking, also known as internet banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank to conduct a range of financial transactions through the financial institution's website. The researchers find out the Online Banking Services such as ATM-Automated Teller Machine, Personal Computer Banking, Phone Banking and Mobile Banking, Email Banking. The researcher concludes that through effective regulation, creating awareness of the Banking Customers.

**Key Words:** Online Banking Services, Recent Development in Banking Sectors, Problems and Suggestions of Online Banking.

### **Introduction:**

Online banking is also known as internet banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website. The online banking system will typically connect to or be part of the core banking system operated by a bank and is in contrast to branch banking which was the traditional way customers accessed banking services. To access a financial institution's online banking facility, a customer with internet access will need to register with the institution for the service, and set up a password and other credentials for customer verification. The credentials for online banking is normally not the same as for telephone or mobile banking. Financial institutions now routinely allocate customers numbers, whether or not customers have indicated an intention to access their online banking facility. Customer numbers are normally not the same as account numbers, because a number of customer accounts can be linked to the one customer number. Technically, the customer number can be linked to any account with the financial institution that the customer controls, though the financial institution may limit the range of accounts that may be accessed to, say, cheque, savings, loan, credit card and similar accounts.

### **Objectives of the Study:**

- To Study the recent development in Online Banking Services.
- To identify the factors influencing Online Banking Services.
- To analyze the problems faced by Online Banking Services.

### **Recent Development of the Indian Banking Services:**

This growth was driven primarily by two factors. First, the influx of Foreign Direct Investment of up to 74 percent with certain restrictions. Second, the conservative policies of the Reserve Bank of India (RBI), which have shielded Indian banks from recession and global economic turmoil. The Banker is an index tracking the performance of important banking sector stocks, and has grown at a compounded annual growth rate of approximately 20 percent over 2003-12.

### **Factors Influencing Online Banking Services:**

The prime concern of Ghanaian banks' customers in online banking adoption is security and safety measures PIN security, individual data protection, confidentiality, hacking are all massive concerns for the adoption of internet banking for customers. There are some factors influencing in online banking services as given below.

- The Perceived Usefulness of Online Banking:
- Technology Acceptance Model (TAM):
- Government's Measures To Support Online Banking

### **Government's Measures to Support Online Banking:**

Consumers enjoy using online banking services such as lower transaction fees, high deposit rates, opportunities to prizes among others. The unintended rewards on the other hand being those benefits that are

palpable and tough to measure like services that allows customers to perform banking transactions anywhere in the globe.

#### **Technology Acceptance Model (TAM):**

Technology acceptance model is the most widely applied model of users' acceptance and usage of technology. TAM replaces many of TRA's attitude measures with the two technology acceptance measures of use, and usefulness. TRA and TAM, both of which have strong behavioural elements, assume that when someone forms an intention to act, that they will be free to act without limitation. In the real world there will be many constraints, such as limited freedom to act.

#### **Government's Measures to Support Online Banking:**

A study conducted by Vietnam found out that a government's support in connection with consumer intention to use online banking is highly essential. Furthermore, it has been observed that in order to support the promotion of online services such as online banking adoption, online shopping, online payment of bills among others, governments should offer free basic ICT programs in basic schools that will concentrate on the teaching of basic computer knowledge and Internet awareness. The reason being that, as more people become IT literates, the more they will accept online services and for that matter;. The aim of the policy is to enable the expansion of a dependable and cost-effective world class standard communications setup & facilities, underpinned by suitable high-tech novelties and reachable by improve the advancement of monetary competitiveness in a knowledge-driven environment. Additional legislations that have been developed to support the policy are;

#### **Types of Online Banking:**

This type of e-banking service is the basic level of internet banking. This provides access to all the general information of the bank through a website. the types of online banking is given below;

- ATM-Automated Teller Machine
- Personal Computer Banking
- Phone Banking and Mobile Banking
- Email Banking

#### **ATM-Automated Teller Machine:**

An automated teller machine (ATM) is an electronic telecommunications device that enables customers of financial institutions to perform financial transactions, such as cash withdrawals, deposits, funds transfers, balance inquiries or account information inquiries, at any time and without the need for direct interaction with bank staff

#### **Personal Computer Banking:**

The term "PC banking" refers to the online access of banking information from a personal computer. A solution for both personal or business banking needs, this type of financial management allows you to conduct transactions using an Internet connection and your computer in lieu of a trip to the local bank branch or the use of an ATM. PC banking enables an account holder to perform real-time account activities and effectively manage finances in a way that avoids the hassle of daytime bank visits and eliminates the postage required to pay bills by mail

#### **Mobile Banking:**

Mobile banking is an online banking service provided by banks to their existing customers to access their banking account for carrying out a myriad of transactions using a mobile device, including smartphone and tablet, whenever users are connected to the internet.

#### **Email Banking:**

An EMT allows people to send and receive money using their email address and online banking. In particular, many business owners like to use EMTs for their customer transactions. It's easy to invoice multiple customers at once, streamlining payroll or supplier systems with a simple EMT payment

#### **Problems Faced by Online Banking Services:**

The challenges are highly significant both for banks that offer online banking, but also for their customers, who depend on the banks to operate effectively. The biggest problems of online banking services are given below.

- Technology and Security Standards
- Legal Issues
- Regulatory and Supervisory Issues

#### **Technology and Security Standards:**

Banks should designate a network and database administrator with clearly defined roles as indicated in the Group's report. Banks should have a security policy duly approved by the Board of Directors. There should be a segregation of duty of Security Officer/Group dealing exclusively with information systems security and Information Technology Division which actually implements the computer systems. Further, Information Systems Auditor will audit the information systems.

#### **Legal Issues:**

Considering the legal position prevalent, there is an obligation on the part of banks not only to establish the identity but also to make enquiries about integrity and reputation of the prospective customer. Therefore, even though request for opening account can be accepted over Internet, accounts should be opened only after proper introduction and physical verification of the identity of the customer.

**Regulatory and Supervisory Issues:**

As recommended by the Group, the existing regulatory framework over banks will be extended to Internet banking also. Only such banks which are licensed and supervised in India and have a physical presence in India will be permitted to offer Internet banking products to residents of India. Thus, both banks and virtual banks incorporated outside the country and having no physical presence in India will not, for the present, be permitted to offer Internet banking services to Indian residents

- Risks
- Security Issues
- Necessity of the Internet

**Risks:**

E-Banking poses some different risks as compared to the traditional banking. These risks are more pronounced in the case of Internet banking. Firstly, the risk of technological changes has to be carefully watched. This is essential to update technologies and remain cost effective and customer friendly.

**Security Issues:**

While making online payments or transferring money from one account to another, the online bankers are always concerned about the hackers and anti-social elements. Hacking enables the unethical hackers to penetrate the accounts of online bankers, and spend their money.

**Necessity of the Internet:**

For availing the benefits of online banking one should have access to the Internet. For this purpose, they should own a desktop, laptop or PDA device, and an Internet connection. There are some necessities of the internet as given below.

- |                   |                             |
|-------------------|-----------------------------|
| • Transfer funds  | • Availability              |
| • Pay bill        | • Interaction with the bank |
| • Apply for loans | • Easy access               |
| • Check balance   | • Time efficient            |

**Suggestions of Online Banking:**

- There are numerous benefits to online banking, and it's worth at least having the option to bank online. But Customers also prefer some features of traditional banks and credit unions.
- Customers are not comfortable with technology; online banking may be more trouble than it's worth.
- Many customers faced by internet problems, so best to have a face-to-face conversation.
- There's also the issue of getting cash. Online-only banks typically provide a debit card that can use to withdraw cash.

**Conclusion:**

The research report is based on primary data. According to the study, the researcher concludes that the most of the bank customers are aware about all the Online Banking services in Sivagangai District. The banks further have to take necessary steps to educate the customers regarding the new technology and other services offered by the banks. Banks may extend customer meeting time with bank officials and also friendly approach is necessary. Definitely it will help to retain the existing customers and to attract new customers. It will automatically improve the banking service and development of banks in India and also in abroad. The research report is useful to know the consumer awareness of Online Banking system and what types of risk involved in Online Banking system.

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