
CHAPTER-III

THEORETICAL

FRAMEWORK OF THE

ONLINE BANKING

SERVICES

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3.1. INTRODUCTION:-

Online banking / Internet banking or E-banking allows to customers of a financial institution and banking to conduct financial transactions on a secure website operated by the Bank and financial institution, which can be a retail or virtual bank and corporate banking , credit union or building society include of any transactions related to online service usage. To access a financial institution's online banking service facility, a customer having personal Internet banking account must be register with the institution for the service, and get up some password for customer verification. The password for online banking service is normally not the same as for as telephone banking. Customer numbers are normally not the same of one bank as account numbers, because a number of accounts can be linked to the one customer number. The customer will link to the customer number any of those accounts which the customer controls, which may be cheque, savings, loan, credit card and other accounts. To access online banking, the customer would go to the banks and financial institution's website, and enter the online banking facility (like BOI star connect) using the customer user Id and password. Some Banks and financial institutions have set up additional security steps for access.

Three or four decades ago, banking was a simple business; consumers saved their money with and received their financial services from banks. When customers open savings account, they received passbook from the bank with which the account would be operated; and when it is a current accounts, they received cheque books for the same purpose. Today, the banking industry has moved into an era of menu-driven ultra robust specialized software programmes called banking applications. (Alabar, T. Timothy 2012) With internet banking, opportunities are also created for small banks to compete on more equal footing with other larger banks in the world. (Akingbola, 2006) Electronic banking services (EBS) are a recent invention that has come to stay in the Indian banking industry. One wonders whether these services as recent as they are create optimum satisfaction to the customers.

Internet banking service also enables bank customers to perform transactions such as transfer and payments, access of latest balance, statement viewing, downloading of statements, account detail viewing, customization, print, and obtaining of a history statement on all accounts linked to the bank's customers Auto Bank.

Banking over the Internet has attracted increasing attention from bankers and other financial services industry participants, the business press, regulators, and law makers, both in the India and other countries. Among the reasons for Internet banking's audience are the notion that electronic banking and payments will grow rapidly, more or less in tandem with Proliferating electronic commerce; industry projections that Internet banking will cut banks' costs, increase banks' revenue growth, and make banking more convenient for customers; and some vexing public policy issues. Despite this attention, there is a dearth of systematic information on the nature and scope of Internet banking. Bankers and public policymakers alike have had to plan using largely anecdotal evidence and conjecture.

Internet banking refers to the use of the Internet as a remote delivery channel for banking services. Such services include traditional ones, such as opening a deposit account or transferring funds among different accounts, and new banking services, such as electronic bill presentment and payment (allowing customers to receive and pay bills on a bank's Web site). Banks offer Internet banking in two main ways. An existing bank with physical offices can establish a Web site and offer Internet banking to its customers as an addition to its traditional delivery channels. A second alternative is to establish a "virtual," "branchless," or "Internet-only" bank. The computer server that lies at the heart of a virtual bank may be housed in an office that serves as the legal address of such a bank, or at some other location. Virtual banks may offer their customers the ability to make deposits and withdraw funds via ATMs or other remote delivery channels owned by other institutions.

The internet is an extremely efficient device for banks of all sizes to collect and manage information. With that information, they will be able to meet the various financial needs of individuals and businesses. (John C, Hallenborg 1999) Internet Banking applications offer wide benefits to customers and banks and it is now no longer a nice to have but an "impossible to survive without" for all banks. Internet Banking refers to systems that enable bank customers to access accounts and general

information on bank products and services through a personal computer or other intelligent devices. Numerous factors including competitive cost, customer service, and demographic considerations are motivating banks to evaluate their technology and assess their electronic commerce and Internet banking strategies.

Internet banking in India has witnessed a substantial growth and development. One of the main challenges facing the banking sector in India is how to manage online service quality, which is of a great importance to customer satisfaction.

Service sector witnessed a rapid growth, primarily due to pressure of forces affecting the context. The major force behind this revolution is information and technology, which has brought in a level playing field for businesses by eliminating geographically, regulatory, and industrial problems. Also with the ongoing creation of new products and services, opportunities in the market are increasing day by day, which further adds to the significance of developing more information and customer satisfaction oriented business and management processes. Electronic payment process and online banking are opening doors of progression. As a result of the advancement of these technologies is more efficient to banking system to expected customers satisfactions (Mohsin Zafar et.al , 2011).

3.2 MEANING AND CONCEPT OF ONLINE BANKING

E-banking is the automated delivery of new and traditional banking products and services provided directly to the customer through electronic, interactive communication channels. (Ravindra Kumar -2012) E-banking includes the systems that enable financial institution customer individual or business to access accounts, transact business to access accounting transact business or obtain information on financial product and service through a public or individual network, including the internet.

It is a new concept in banking. Online banking means a self service attitude of banking. Banking itself was never wrong but our dependence on banking was too much and that is why we faced many disappointments. In online banking the customer is the sole financial controller of his own finance and life. The customer performs his own banking transactions by using the internet. We can book tickets of railways, buses, airlines to any place in the world; we can shop anything and everything with online banking and also make payments online. All banking transactions can be

carried out with online banking. The Internet banking offers 24x7 opening to banking transactions, lower costs, and efficiency gains, quick adjustment to change of new trends and improved customer service for suppliers and convenience, more information, fewer hassles, low procurement cost, streamlined processes, private shopping and instant transaction for customers. Internet banking audience are the notion that electronic banking and payments will grow rapidly, more or less in tandem with Proliferating electronic commerce; industry projections that Internet banking will cut banks' costs, increase banks' revenue growth, and make banking more convenient for customers; and some vexing public policy issues. Despite this attention, there is a dearth of systematic information on the nature and scope of Internet banking (Karen Furst, 2000). Internet-based services of online banking have been proliferating rapidly for the last few years. In addition to Internet companies, traditional banking services are also developing capabilities for providing Internet-based banking services for their customers either for competitive advantage or out of competitive necessity. The underlying assumptions being that Internet-banking services will enhance customer satisfaction and will hence improve customer loyalty and retention. As it is cheaper to retain an existing customer than to acquire a new one, companies are putting more emphasis on customer relationship management to increase customer satisfaction. Internet-banking services are believed to be superior to those delivered through the regular channels because of their convenience, interactivity, relatively low cost and high degree of customization and made personal transactions among other advantages. There is very little understanding, however, of the factors that affect customer satisfaction with Internet-banking services. (Khalifa, 2002). At first sight the Internet is the ideal medium for carrying out banking activities due to its cost savings potential and speed of information transmission. From a technological and cost-driven standpoint it may seem quite logical for banks to shift as many banking activities online as possible. At the same time, the question of how to foster customer loyalty arises when the relationship between the bank and the user becomes a virtual one. A model explaining the antecedents of loyalty in the online banking industry has to incorporate factors which take into account the characteristics of the industry as well as those of the medium. Therefore, we consider antecedents such as trust (being important online and offline) and the perceived quality of the Web site (being important only online). Besides being topics of scholarly research in the information systems domain, these issues have been long discussed in marketing (Floh,- 2006).

The e-banking constitutes an electronic alternative network of payments and benefit of services. The need of creation of electronic alternative channels has been distinguished well in advance by the foreign banking organizations, which relied mainly on the outburst that was observed in the use of internet. The benefits are many, both for the customers and for the banks. The banks that are activated in the Internet are susceptible mainly to the systematic, law part and to the reputational risk and the customers of the electronic banking channel are puzzled concerning to the subject of safety of their transactions and personal data (Shukla - 2011). Service sector witnessed a rapid change, primarily due to the pressure of forces affecting the context. The more force behind this inflation of technology, which has brought in a level playing field for businesses by eliminating geographical, regulatory, and industrial barriers. Also with the ongoing creation of new products and services, opportunities in the market are increasing, which further adds to the significance of developing more information and customer oriented business and management processes. Electronic payment systems and transactions methods of online banking are opening doors of progression. As a result of the advancement in these technologies a more effective banking system is expected. Technology enables institutions to deliver online banking services utilizing non-traditional delivery channels, to consumers in a more convenient and economical manner without compromising the existing level of service.

A number of services are being offered through electronic banking. It is quite difficult to measure the extent of such services, but an effort has been made by classifying these services into two categories. Firstly, to judge the impact of e-banking through different websites, services being offered by the banks have been categorized into informational and transactional services. After introduction of Internet banking bank can segment the customers in computer literate and computer illiterate while computer literate customers are increasing and computer illiterate consumers are decreasing (N.P.Mols, 1999).

The Reserve Bank of India constituted a working group on internet banking. The group divided in to three types based on level of access granted.

3.2.1. Information only System: The purpose of general information like interest rates, branch location and bank products their features loan and deposits are provided in the banks websites there is no interaction between the customers and bank

application system. There is no possibility of any unauthorized persons gating in production system of the bank through internet.

3.2.2. Electronic Information transfer system: the system provide customers specific information in the form of account balance, transaction details, and statements of account. The information is fetched from bank application system either in batch mode or off line. The system can not directly access through the internet.

3.2.3 Fully Electronic transaction system: This system allows bi-directional capabilities. Transaction can be submitted by customers for online update. The system required high degree of security and control. It compromises technology covering computerization, networking, interbank payment, gateway and legal infrastructure (Janaki, 2010).

3.3. DEFINITIONS

3.3.1. Definition of Bank

The etymology of the word 'Bank' relates to the German word 'Banck', which means heap or mound or Joint Stock Fund. From this, the Italian word 'Banco' meaning heap of money was coined. Another school of thought says that the word 'Bank' is derived from the word 'Bancus' or 'Banque' which means bench as initially Bankers transacted in benches in market places.

3.3.2. Definition of on-line Banking

1. According to (Arunachalam and Sivasubramanian 2007), Internet banking is where a customer can access his or her bank account via the Internet using personal computer (PC) or mobile phone and web-browser.
2. According to (Khan 2007), Internet banking includes the system that enables financial institution customers, individuals or businesses, access accounts, transact business, or obtain information on financial products and services on public or private network including Internet.
3. Internet banking allow to the account user of the Internet as a remote delivery channel for online banking services. Such services include traditional ones, such as opening a deposit account or transferring of funds among different accounts, and new online banking services, such as electronic bill payment (allowing customers to receive and pay bills on a bank's Web site).

4. Online banking is a new phase in retail banking services. With the help of online banking several types of services through which customers can request information and carry out their banking transaction such as balance inquiry, inter account transfers, utility bills payment, request check book etc., via a telecommunication network or internet without physically visit the branches. (Daniel, 1999; Mols, 1998; Sathye, 1999)

5. The terms Personal Computer banking, online banking, Internet banking, and mobile banking refer to a number of ways in which customers can access their banks without having to be physically present at a bank branch. (Electronic banking from a prudential supervisory perspective, Decembr-2000 , Raphael-2001).

3.3.3. MEANING AND DEFINITION OF VARIOUS ONLINE SERVICES

Sr. No	Online Services	Meaning /Definitions of online services
1	Balance enquiry and Statement	Check out transaction in bank account with a real time balance.
2	Transaction history	Check out past transaction from the date of Account opening.
3	Online transfer of funds	Transfer of funds to any bank account of that particular bank or any other bank.
4	Pre paid mobile recharge	Recharge prepaid mobile online anywhere, anytime in a few minutes.
5	Buy and sell Mutual Fund	Online buying and selling of mutual fund.
6	Send money order anytime	Get it door delivered to any destination in India.
7	Open Fixed deposit and Recurring deposit	Apply online to fixed deposit and recurring deposit
8	Request of Cheque book	The cheque is delivered on the address upon request.
9	Stop Payment request	Issue instructions to stop payment of a particular cheque.
10	Request of Debit cards	Apply online ATM/Debit card.
11	Monthly Bank account statement by E-mail	Free statement of bank account on e-mail address.
12	Change Password	Change of login password and transaction password.
13	Demat holdings	Provide to demat account details and transactions.
14	Loan Details	View details related to loan account like type of loan, date of sanction, date of maturity, rate of interest.
15	Interest rate updates	Know rate of interest on deposit and loan scheme.
16	Bills Payment	Paying of bills of utility (electricity and telephone), bank credit, mobile bills, and insurance premium.

17	Online shopping	Pay e-shopping bills through internet banking.
18	Ticket Booking	Booking of railway or air ticket online.
19	Mobile Top up	Recharge pre paid mobile anytime, anywhere by log in to internet banking.
20	Share Trading	Trade in security market online, through the unique three in one account that integrate banking, broking and demat account.
21	Online tax payments	Online payment of service tax, income tax, central excise duty. .
22	Convert to EMI	Converting any transaction above Rs.2000 On a credit card into easy EMI. EMI repayments are easiest and provide tenure Ranging between 3 to 24 months.
23	Online loans	Get loans as fast as you click
24	Customer Correspondence	Email correspondence between customer and bank for transaction queries.
25	Demonstration of I-banking	Provide demonstration of internet banking services on banks website
26	Corporate Internet Banking	Internet banking services to corporate customers
27	Enquire your Account balance	Get the details of savings, current and fixed deposit account balance.
28	Statement of Account	Get cheque book or latest account statement delivered at your door step.
29	Mobile Banking Registration	Get registration for mobile banking through phone banking.
30	Latest Interest and Exchange Rates	Get latest interest rates on deposits and foreign exchange rates by talking to phone banker.
31	Account Balance	Get information of updated balance without using internet or phone banking.
32	Making Payment	Make payment of all bills via mobile banking.
33	Loan Information	Mobile banking for loans avails for loan documents via mobile phone.
34	I-Mobile	All internet banking transactions can be done through mobile phone.
35	Purchase and Redemption of Mutual Fund units	Buying, selling and redemption of mutual fund units.

36	Last three transactions	One can check the balance of last three transactions.
37	Star e-remits	It is service for sending money in overseas country. It gives conveniences of sending money of any time any were. This service gives assurances the safety, secure and worthy fund transfer star e-remit also offers advantage of commutative exchange rate. Due to this service customer can track the remittance online.

3.4. CUSTOMER SATISFACTIONS

3.4.1. Meaning and Concept of Customers Satisfaction

Customer satisfaction was explained by the expectation disconfirmation theory in the late 1980s. This theory suggests that satisfaction is determined by the intensity and direction of the gap between expectation and perceived performance. An individual is more likely to be satisfied if the service performance meets (confirmation) or exceeds (positive disconfirmation) his/her expectations (DeSarbo, 1988). On the other hand, he/she is more likely to be dissatisfied if the service performance falls below his/her expectations (negative disconfirmation). By proposing expectation disconfirmation as the sole determinant of satisfaction, this theory does not account for the fact that the confirmation of high expectations is more likely to lead to satisfaction than the confirmation of low expectations. Tse, D. K. and Wilton, P. C (1988) Customer satisfaction has been very strategically important for numerous companies. Successful businesses must satisfy customers while simultaneously making a profit. Customer satisfaction as the outcome of a cognitive and affective evaluation of the comparison between expected and actually perceived performance, which is based on how customers appraise delivery of goods or services. A perceived performance, which is less than the expected, leads to an unsatisfied customer. Perceived performance that exceeds expectations, on the other hand, leads to a satisfied customer. The expectations of a customer are built from past buying experience, advice from friends and counterparts, marketers' and competitors' information and promises (Lin 2003). Customers are still not accustomed to using electronic channels to manage their financial affairs. This low adoption rate is an indication of the hazards of introducing new products and services into the marketplace; the vast majority of product and service innovations fail, at considerable cost to the companies introducing them. Moreover, those services perceived as necessary by such adopters must also be

identified. The identification of personal characteristics related to the adoption of Internet banking is critical for market targeting and the identification of innovative features can help banks in product design and in formulating campaigns that will encourage the adoption of the service. Consumer adoption of a good or a service refers to the acceptance and continued use of a product, service or idea. Internet banking includes the system that enables financial institution customers, individuals or businesses, access accounts, transact business, or obtain information on financial products and services on public or private network including Internet. Internet banking is the act of conducting financial intermediation on the Internet. Customer expectation was defined as a customer's belief about a product before using it (McKinney V, 2002). Theoretically expectations were taken as perceived experience by consumers regarding an approaching transaction or deal.

3.4.2. DEFINITIONS OF CUSTOMERS SATISFACTIONS:

1. According to Cardozo (1965), customer satisfaction with a product leads to repeat purchase behavior, acceptance of other products in the same product line, and favorable word-of-mouth publicity.
2. Customer satisfaction is defined as a collection of outcome of perception, evaluation and psychological reactions to the consumption experience with a product/service by bank (Zhao, 2005).
3. According to (Wungwanitchakorn, 2002), in most developing countries, Internet banking is still in its early stages. Only a few banks are developing such services while others merely use the web to provide information about products and services.

3.4.3. FEATURES/DETERMINANTS OF INTERNET BANKING

A bank customer can done some non-transactional process through online banking, including ; viewing account balances, viewing recent transactions, downloading bank statement , for example in PDF/ Excel format, viewing images of paid cheques, ordering cheque books, Downloading applications for M-banking, E-banking etc. Moving to a multivariate framework allows us to see whether the univariate relationships described above continue to hold after controlling for relevant factors. In addition to estimating the factors determining adoption, we also estimate a model to determine why some banks offer a wide range of Internet banking services.

3.4.3.1. 24x7 Banking: As a result of implementing core banking, most of the facilities being offered by banks, are available to customers 24 hours a day and 7 days

a week. The banking transactions are performed using multiple channels such as ATMs, Internet banking, Mobile banking and Phone banking (Nishikant, 2008).

3.4.3.2. Anywhere Banking: Customers can avails of banking services across the branch and channel networking irrespective of location where their account is maintained.

3.4.3.3. Centralized Processing: Core banking, on the century, has a centralized database and will all processing of transactions are carried out in this database, raising at the central data center (CDC).

3.4.3.4. Web site Privacy Statements: Customers and banks their benefit substantially using the Internet to collect information. Customers can benefit from allowing banks to collect and integrate large amounts of personal information that help banks to tailor a wide range of products to individual demands. However, these same information collection, analysis, and distribution activities raise questions related to personal privacy protection.

3.5 MOBILE BANKING SERVICES

Mobile banking is used in many parts of the world with small or no infrastructure, especially remote and undeveloped areas like rural area. This aspect of mobile is also popular in countries. In most of these places, banks can only be found in big cities, and customers have to travel hundreds of miles to the nearest bank. Through Mobile Banking done the following financial transactions:

1. Mini-statements and checking of account history
2. Alerts on account activity or passing of set thresholds
3. Monitoring of term deposits
4. Access to loan statements
5. Access to card statements
6. Mutual Funds / equity statements
7. Insurance policy management
8. Pension plan management
9. Status on cheque, stop payment on cheque
10. Ordering cheque books
11. Balance checking in the account

12. Recent transactions
13. Due date of payment (functionality for stop, change and deleting of payments)
14. PIN provision, Change of PIN and reminder over the Internet
15. Blocking of (lost, stolen) cards

3.6 ADVANTAGES OF ONLINE BANKING SERVICES TO THE CUSTOMERS

3.6.1. 24x7 days unlimited service: The services and various features of customer's bank are any time available seven days a week and 24 hours daily. The most incredible thing here is that, everything at ones at just one click of your personal computer mouse.

3.6.2. No Time Limit: Online banking is also stress free because it is all ways available and never closes unlike the traditional banking that has limited particular cut-off time.

3.6.3. Easy to Access via Personal Computer: At the time of banking transaction customer can use his personal computer; they can easily doing various banking transactions with his bank in view of his business or any other personal or financial activities.

3.6.4. More Interest Rates: Another advantage of online banking usages is the interest rates which basically range between 3.40% and 5% annually as compare to traditional banking it is to be more. Unlike the traditional banking, online banking can earn customers a better interest or return of investment both in your savings and checking account.

3.6.5. Made Easy Transactions: Another advantage is the speed of banking every transaction. Online transactions, as compared to ATM or traditional banking, works faster than it. Thus business matters could benefit so much from this speed feature.

3.6.6. Efficient Effectiveness: Banking online is both **efficiently and effectively**. With just one secure site, all your financial transactions can be managed confidentially and orderly.

3.6.7. Save Money / Transaction Costs: Online banking gives more interest rates than any other traditional banking services and also saves lot of expenses on it.

3.6.8. Made own Transactions: We can carry out all types of banking transactions at our own convenience and do not have to depend on any other bank staffs on normal bank timings of transactions.

3.6.9. Save Time: Lot of precious time is saved because of online banking, as transactions are completed within seconds and users (Customers) can see the updates immediately.

3.6.10. Message Alerts: Banks also provide balance alerts to customers if his balance reduces any kind of transactions made by banks then online system provide message alerts to the customer in case of due dates of our bill payment occurs.

3.6.11. Fewer service charges: There are no extra charges of online banking services; there are any times or some transactions absolutely free of costs. Previously banks occur to charge heavily for all their services.

3.6.12. Accessibility: The customers can be done more services through online banking because of any ware accessibility of transactions.

3.6.13. Trust, Security and Privacy: Trust, security, and privacy are multidimensional aspects of service quality in online banking. That's why; customers are more connected with the bank. Online banking services are increasing the level of Customers confidence in the technology and willingness to adopt the online banking service. Finally they argue that although consumer's confidence in their bank is strong, their confidence in technology is weak.

3.6.14. Minimum Risks. Online banking is a totally easy thing to do the banking transactions. In the comfort of your home, other places or offices, you can do whatever monetary transactions you wish to do with your bank.

3.6.15. Convenient Payment. Bill payments can also be handled properly and smartly. Instead of waiting for certain due dates, one can easily pay all their transactions using their computer and in coordination with their bank.

3.6.16. Activeness. Online banking is also ubiquitous or simply put smart. This enables customers to do troubleshooting regarding any problem that may arise from their business.

3.6.17. Charges Free Services: Some of the services of the bank are free of cost.

3.6.18. Simple Procedure: Internet banking gets very easy access than any other bank services.

3.6.19. Self-efficacy: Online Banking has its own function which provides self efficiency to every person who has online banking services by giving service within a few seconds.

3.7. DISADVANTAGES OF ONLINE BANKING TO THE CUSTOMERS

3.7.1. Unawareness of Technology: First is the slow processing from the moment you entered a financial transaction with your bank via the computer. Usually the bank will require you to submit certain documents like an identification card, signature and the like.

3.7.2. Unavailability of Internet Access: Online banking is the need of internet access but some time internet accessibility is not available of any time.

3.7.3. Document Requirement: The online bank requires them to submit documents but also to provide special power of attorney in cases where you want to do transactions together with your spouse. Certain technical procedures regarding online banking may be taxing too and complicated.

3.7.4. Lack of Learning: Online services are the so-called learning curve. This means, online banking services especially in locating the sites may be complicated and hard to find.

3.7.5. Bank Charges: If the banking transactions made wrong, the bank will require you to re-enter all your information again and other related data by taking applicable charges.

3.7.6. Threats of Trust: Online banking is the trust aspect. Online banking should be entered very carefully if you wish to enjoy your financial life.

3.7.7. Inefficient Relationship: Online banking has reduced the bank to customer personal interaction, since all the transactions are handled by the customer from the

direct internet account there is no personalized banking service which reduces customer to bank interaction.

3.7.8. Leak Information: At the time of entering online banking instructions there is always a chance that the information may be leaked. Their account can be hacked and all their confidential information is leaked.

3.7.9. Misuse of Passwords: They can access their online banking account by entering their personal identification and their password. This password can be used by anyone to access your account and transfer funds or cause financial problems.

3.7.10. Cyber Crime/ Virus Attack: When they are using internet banking the internet security is a big problem faced by many banks. So the customer need to have aware of the security issues and protect their identity and other personal details from hackers.

3.8. ADVANTAGES OF ONLINE BANKING SERVICES TO THE BANK

3.8.1. Additional Transaction Revenues: Banks can derive revenues over and above their offline revenues by charging for online services and value-added services, such as providing a portal for financial services linked to short-and long-term insurers, links to stock brokers, and links to foreign banks and other type of financial institution.

3.8.2. Savings from Reduced Transactional Costs: On the internet, customers serve themselves, negating the need for frontline staff. According DiDio the average transaction cost at a full service bank is about \$1.07. It reduces to \$0.27 at ATM and falls to about a penny if the same transaction is conducted on the web (Ravindra Kumar-2012). Cyber space is cheaper to operate in than bricks-and-mortar structure and this cost benefits are often passed along to the consumer. The internet banking cost structure allows consumer to receive cost saving and financial benefit for banking online.

3.8.3. No Need of More Staff: Savings are gained from reductions in staff, reduction in branch sizes, and reduction in consumable costs: such as paper, registers and books, ink cartridges, and other stationery.

3.8.4. Opportunities for Acquiring New Customers: Customers looking for the flexibility and convenience offered by internet banking will be attracted to banks providing the best services.

3.8.5. Income generation through other Financial Institution: Existing customers can be sold products that they do not have in their portfolio such as a second credit card, life insurance, and home loans among others.

3.8.6. Improved ability to retain customers: Customer relationship management (CRM) can be facilitated by the data acquired and captured on the corporate database. Banks are adding real time loan applications the ability to make IRA investment and opportunity to trade stocks through their web site.

3.8.7. Increase Customer Loyalty: Products and services can be customized to suit the needs of the customer or groups of customers, thus facilitating customer loyalty. In a recent study conducted by Forrester research, 61% of respondent claimed that if their banks offered the financial service they wanted they would prefer to utilize the bank service (Ravindra Kumar,-2012).

3.8.8. Paperless Work: Every banking service is computerized, bankers save all the paper work and bank save the trouble of maintaining physical records. Some time banks records is nothing manual hence the records are perfect and accurate.

3.8.9. Continuous Improvement: There is improvement in terms of customer access online banking services facility, that's why the bank can access more and more customers within a short period time through the online banking service facilities.

3.8.10. Offer all Services to the Customers: Banks can offer all types of services to the customers through online banking. It is the way of reaching the final customers, bank making more transactions through online banking services then automatically increases his business activity.

3.8.11. Increase Storage Efficiency: Electronic storage saves several people from storing copies of the same document. It keeps you away from having to find storage space and helps in easy access of the files. With digital files, their more likely to locate the missing document by searching for key words.

3.8.12. Save Time and Money: Just compare printing a document and manually faxing it with sending strength from the computer in which they created it. There may be some significant up-front cost associated with setting up an automated system, but paperless processing generally yields a saving over time.

3.8.13. Speed of Banking: The increased speed of response to customer requirements under e-banking will lead to greater customer satisfaction and handling a larger number of transactions at a lesser time.

3.8.14. Access to Additional services: Basic transaction web sites allow customer to review account balances holding and recent banking statement. System that allow customer to initiate transactions online such as transferring money between accounts or making payment provide additional advantage to the customer.

3.8.15. Geographical Reach: Internet banking allows expanded customer content through increased geographical reach and lower cost delivery channels. In fact some banks are doing business exclusively via the internet they do not have traditional banking offices are only reach their customers online.

1.9.DISADVANTAGES OF ONLINE BANKING SERVICES TO THE BANK

3.9.1. Start up Cost: At the initial stages bank has incurred some amount from the customers for operating their online banking services.

3.9.2. Training and Maintenance: Online banking is the process is systematically and technically advancement, it is need provide training to how to use online banking effectively.

3.9.3. Lack of Skilled Personnel, Technical Problem: Online banking is the modern technology system, it is new and to some critical to understand of how solve problem and maintain CRM of online users hectic job this is also demerits of online banking to the bank.

3.9.4. Security and Privacy: Security of Internet transactions is of paramount concern to most customers particularly where financial information is involved.

Banks must convince their customers that their websites are secure and sufficient safe guard has been taken to assure security at the transaction level.

3.10. RISK OF ONLINE BANKING SERVICES:

E-banking using the internet as an added delivery channels may shift bank risk profiles to some degree and create new risk control challenges for bank. Online banking delivery considered the following risk.(R.K.Uppal 2008).

3.10.1. Legal Risk:

Legal risk arising from e-banking activities represents another area of increased concerned currently, supervisors in every jurisdiction are examining how existing legal and regulatory frameworks originally designed to addressed issue affecting the physical world of banking interact with the developing e-banking delivery channels as well as examining potentials ambiguities.

3.10.2. Strategic Risk:

Strategic risk is one of the most significant risks that e-banking activities present for banking organizations. Strategic risk differs from other categories in that it is more general and broad in nature. Strategic decision to be taken by a bank's Board of Directors and Executive Management will have implications for all other risk categories.

3.10.3. Operational risk:

Because of the reliance on technology for all faced of e-banking, operational risks is one of the most significant risk. To the meet operational risk, banking organizations may want to considered implementing an integrated enterprise wide architecture and technology infrastructure that can facilitate interoperability insure that security, integrity and availability of data and support the management of relationship with third party service provider.

3.10.4. Security Risk:

The majority of bankers surveyed by e-banking group members indentified security risk as a primary concern relating to e-banking.

3.10.5. Data Integrity Risk:

Data integrity is an important component of system security. Banking organization must improve in an inter-operability within and across enterprises effectively manage relationship with customers, other bank and external service provided .Until industry standards are identified for electronic data management ,banking organization

continue to be challenged to established effective control process to ensure the accuracy and integrity of data being transmitted and receive.

3.10.6. System Availability Risk:

In addition to ensuring a secure internal network for their e-banking activities, effective capacity planning is critical to ensuring the ongoing availability of e banking products and services. Also, competitive pressures and increased reliance on having services available 24 x 7 have raised customer's expectation considerably and in turn reduced the tolerance for error

3.10.7. Outsourcing Risk:

Perhaps more than any other industry development relating to e-banking, banks increased reliance on outsourcing is having a significant impact on the risk profiles of all banking organizations both large and small.

3.10.8. Reputational Risk:

A bank's reputation impacted by any adverse development that precludes the availability of their e-banking delivery channel .banks have long based their business on a reputation of trust .the ability provide a trusted network to support e-banking is critical, and a bank's reputation can be damaged by internet banking services that are poorly executed or otherwise alienate customers and the public (R.K.Uppal-2008)

3.10.9. Liquidity Risk:

The speed with which information and misinformation moves over the internet can have implication for the liquidity risk profile of a bank adverse information about a bank ,whether it is true or not ,can be easily disseminated over the internet through Billiton boards and news groups.

3.10.10. Credit Risk:

It is the risk to earning or capital arising from an obligor's failure to meet the terms of any contract with the bank or otherwise to perform as agreed. Credit risk is found in all activities where success depends on counterparty, issuer or borrower performance. It arise any time bank funds are extended, committed invested or otherwise exposed through actual or implied contractual agreements whether on or off the bank balance sheet.

3.11. CHALLENGES OF ONLINE BANKING TO THE BANK:

More account holders are demanding advanced functionality, such as internet banking, mobile banking and Personal Financial Management tools. (Alam- 2006).

3.11.1. Customer Loyalty:

One of the most vital challenges of the Internet as a service delivery channel is providing and maintaining service quality. Service quality is an input of customer trust which becomes satisfaction and lead to loyalty as an output. Customer loyalty is a concern of any organizations as well as banking sectors (Alam- 2006).

3.11.2. Service and website support: comprising sustained Web site uptime, fast response to service requests and live frontline customer support possibly through an outsourced customer contact center. Service and website support are crucial for satisfied account holders.

3.11.3. Systems integration: System Integration to seamlessly merge the financial institution's existing systems, applications, processes and data, thus streamlining operations and eliminating redundancy within the organization. Banks should consider an integrated Internet banking solution that consolidates multiple modules, from retail to cash management to bill pay to e-statements, into which a provider can also build an effective fraud protection component with multifactor authentication for security on all channels.

3.11.4. Cost of Transactions: Naturally, financial institutions are interested in keeping costs down. Internet banking providers commonly charge for all Internet banking users, rather than for only active users. It may make financial sense to convert to a provider that offers an alternative pricing model.

3.11.5. Availability of features and functionality: that customers truly desire, including more advanced Internet banking capabilities such as PFM, mobile banking and alerts. While many financial institutions would like to switch to an Internet Banking Solution that better fits their needs, they may have concerns that converting to a new solution might be difficult to achieve.

3.12. E-BANKING SERVICE QUALITY DIMENSIONS:

Surviving in the highly competitive Internet service industry, the companies need to provide customers with high quality services. So Internet banking is first required to understand the attributes customers used to judge service quality. Most e-bankers are

asking whether the determinants of service quality so far identified can be applied to an e-business environment or not.

3.12.1. Customer service quality:

Reliability, responsiveness, competence, courtesy, credibility, access, communication, understanding the customer, collaboration and continuous improvement.

3.12.2. Online system quality:

Content, accuracy, ease of use, timeliness, aesthetics, and security this are online system quality.

3.12.3. Banking service product quality:

Product Variety/Diverse Features, These determinants are; responsiveness, reliability, access, ease of use, accuracy, and product variety/diverse features. As these dimensions tend to have strong impacts on either customers' satisfaction or dissatisfaction, depending on the quality performance of these internet banking dimensions.

3.13. CUSTOMER RELATIONSHIP MANAGEMENT:

Customer Relationship Management is today becomes a typical marketing strategy in the milieu of changed customer's minds. Today's customers are having become smarter and have all the information at their fingertips with internet explosion and communication revolution. Customer's relationship management solution is a set of methodologies and a tool that helps an enterprise manage customer relationship in an organized way in finding, getting, and retaining customers. It helps to provide better customer service, increase customer's revenues and discover new customers and sell products more effectively (Tandon, 2008).

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