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GLOBALIZATION OF BANKING SECTOR AND WEB BANKING

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Abstract- Today we are in the era of globalization. Multinational organisations worldwide have adopted globalization as their first tactical choice. Progress in technology has facilitated globalization too. Same holds factual for bank trade. Industrial progress, changes and innovations have always leveraged the values of mankind. It has given new magnitude to the world. It has also changed the way trade can be accessible. Information Technology has been a major dynamic force of economies universal during the last 2 decades. Its impact has been readily felt in banking trade also. With the discovery of PC, operations and database managing became quite handy. There has been a noticeable development particularly in the area of protection, storage, availability and transfer of data. The world has factually shrunk to become a "global village". IT has played a crucial role in the economic trade. Web has proved a magic wand for economic trade and products, banking in particular. Banking sector has been early adopter of technology to offer latest modes for transacting trade. Banks have altered themselves and are offering trade through web. From Computerization to networking to ATMs and now Electronic-banking, banks have moved up the value chain. This occurrence of offering trade through web is referred as web banking.

Keywords- Globalization, Banking Sector, Web Banking, Computerization, Electronic-banking

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Introduction

Web banking refers to the use of web as a distant delivery channel for banking trade. Web based or web banking is poised to become the future face of banking trade. The number of visits to the bank can be minimized effectively by operating from the web account. Thus the number of contacts required to perform a transaction and solve a problem has been reduced through web banking. The usual twigs of banks have culminated into PC networks, whereby the customer can draw all the benefits and trade of the bank at a single click of the mouse.

The number of individuals utilising web trade has increased considerably. In 2006, about 12% of the 38.5 million web users in India were banking web [1] and the figure for web banking was estimated to rise to 16 million by 2013-14. The web population itself is set to grow to 100 million by 2013-14.

Multiple trade can be offered through web banking such as, bill payment trade, Fund transfer, railway pass (Indian rail has tied up with ICICI bank to make railway pass web for local trains) etc. [3].

Technology in Indian Banking

The technological development in banking can be traced as follows [4]:

1960: Mechanised banking introduced.

1970: Introduction of PC based banking trade.

1980: Introduction of PC-linked communication based banking.

Table 1- Web Penetration in India

Year	Users	Population	% Penetration
1998	14,00,000	1,09,48,70,677	0.10%
1999	28,00,000	1,09,48,70,677	0.30%
2000	55,00,000	1,09,48,70,677	0.50%
2001	70,00,000	1,09,48,70,677	0.70%
2002	1,65,00,000	1,09,48,70,677	1.60%
2003	2,25,00,000	1,09,48,70,677	2.10%
2004	3,92,00,000	1,09,48,70,677	3.60%
2005	5,06,00,000	1,11,22,25,812	4.50%
2006	4,00,00,000	1,11,22,25,812	3.60%
2007	4,20,00,000	1,12,96,67,528	3.70%

Advent of PC technology has created a major impact on working of banks. The Computerization and subsequent development in history of Indian banks can be traced back to 1966 when Indian Bankers Association (IBA) along with exchange banks association signed first wage settlement with the unions, which accounted for the use of IBM or ICT accounting machines for inter-branch reconciliation etc. IN 1970s, SBI installed a ledger-posting machine along with a mainframe PC at selected twigs. A committee on Computerization and mechanisation was appointed by RBI in 1983 under headship of Dr. C. Rangrajan. Its objective was to chalk out a plan for mechanization of Indian banking trade. It was recommended that Computerization and installation of Advanced Ledger Posting Machines (ALPM) at branch, regional and head offices of banks will bring around a new era in banking. In 1991 Narsimhan committee paved way for reform phase in banking. In the year 1994 Saraf committee

was constituted by RBI that recommended the use of Electronic Fund Transfer System, beginning of electronic clearing trade and extension of Magnetic Ink Character Recognition beyond metropolitan cities and twigs.

Over the last five years the rate of adoption of IT by foreign and private sector bank in the country has been significant, which can be attributed to fierce competition and the web phenomena worldwide. The entrance of private and global banks with their greater state of the art technology based trade pushed the Indian banks to follow the suit by going in for the latest technologies to meet the risk of competitors and keep their customer base.

Expertise was the normal for bank introducing ATM and POS (Point of sales) in 1970s, telephone banking in 1980s and web banking in 1990s. Shared Payment Network System (SPNS) was set up In Mumbai in February 1997. It was a network of 28 ATMs with 11 banks. ATM card was branded as 'SWADHAN'. SPNS could link with international hubs such as VISA and MASTERCARD. CITIBANK a US multinational was first bank in India to offer ATM card facility in 1985.

"In the last four years have seen spectacular changes, making customers' ease critical aspect of banking". Indian metros are swelling ahead in web banking usage. Today the delivery channel of banks include direct dial up connections, private networks, public networks etc. and the devices include telephone, Personal PCs including Automated Teller Machines, etc. Technology has thus initiated a example shift from branch banking to 'Anywhere Anytime' banking. Today banks are able to manage in much better way, thereby gaining greater efficiency in operations thanks to technology.

Electronic-banking is the term that signifies and encompasses the entire sphere of technology initiatives that have taken place in the banking trade. Electronic-banking is a universal term making use of electronic channels through telephone, mobile telephones, web etc. for delivery of banking trade and products. The concept and scope of electronic-banking is still in the transitional stage. Electronic-banking increases efficiency in the sphere of effective payment and accounting system thereby enhancing the speed of delivery of banking trade significantly. It allows customers to access banking trade electronically such as to pay bills, transfer funds, view accounts or to obtain any banking information and advice. It also facilitates new relationships with consumers, regulatory authorities, suppliers and banking partners with digital-age tools. Customers and bank relationships will become more personalized, resulting in new modes of deal processing and service delivery. Banks are faced with a number of significant issues, How to take full benefit of new technology, how electronic-banking modify the ways customers relate with the service provider, etc. The banking trade has been considerably prejudiced by growth of technology.

Advantages of Electronic Banking

It helps us in overcoming the drawbacks of manual system, as PCs are capable of storing, analyzing, consolidating, searching and presenting the data as per the user necessities with lot of pace and correctness. Number of benefits accrues to the various parties with the development of electronic-banking.

To the Banks

- It trade help in increasing profits.
- It provides competitive advantage with boundary less network to the banks.
- Due to it banks carry on trade less with paper money and more with plastic money; have web transfer of funds, thus economizing on the cost of storage of huge stocks of currency notes and coins.
- By connecting with ATM and PO terminals, risk of money overdraw can be eliminated in case of ATM credit and debit cards.
- Electronic-banking websites can act as a revenue earner through its promotional activities.
- Customers can avail electronic-banking facility from anywhere, therefore saving the need not to invest more on building infrastructures.
- Websites that offer economic convergence for the customer will create a more involved banking customer who will more frequently utilize the banking websites.

To the Customers

- Electronic-banking provides 24 hours service to the customers for money withdrawal from any branch.
- Quick and steady access to information.
- Web purchase of goods and trade and payments can be made for various purposes.
- The customer can view his account balance, can get a statement of his account, can apply for loans, check the progress of his investments, review interest rates and collect other important information.

To the Merchants, Traders, etc.

- It ensures assured quick payment and settlement to the various transactions made by the traders.
- It provides a variety of trade to the trade men on par with the international standards with low transaction cost.
- Cost and risk problems involved in handling money which are very high in trade transactions are avoided.
- It leads to the growth of global and local clientele base with the development of electronic-banking.
- Other benefits include improved image, improved customer service, eliminating paper work, reduced waiting costs and enhanced flexibility.

Modes of Distribution

Banks have been early adopter of technology. They were wise enough to understand the innovative mode for offering trade. Private Banks played a major role in reviving the banking spirit in India. It was they who initiated the change. Today banking trade can be delivered through following modes:

- Web Banking, Web Banking, PC Banking and electronic-banking.
- Telephone Banking / Mobile Banking (M- Banking).
- Plastic Money - ATM card, Credit card, Debit Card etc.

Web Banking

The use of information technology in banking is now inherent in banking trade. A customer can log on banks website and access his account. He can perform following functions web: Balance enquiry, Transfer of funds and web payment. A survey done by Booz and Allan has revealed that web is the most economical way of banking.

Web banking can be categorized in following stages:

Information Kiosks: traditional information on banking products and trade are available on the website of the bank.

Basic I-Banking: Here, bank sets up infrastructure for web banking and for accessing basic trade like opening an account, paying utility bills and checking the balance.

Virtual Medium: Here web is taken as an official medium for economic transactions. Buying and selling activities can be undertaken through banks payment gateway technology.

Today most of the banks are having their own functional websites through which banks are serving customers. There are more than 90 banks offering web banking. Web banking is now being accepted. If we look at the show of Syndicate bank - Web Banking users improved over 210% (from 8300 in March 2005 to 17,432 in the year 2006).

Advantages

The advantages of web banking can be encapsulated as:

- Convenient
- Unaffected by foundation of operational timings.
- No geographical barriers
- Trade can be offered at very low cost. As the chart shows results of a survey, cost per transaction through web banking is the least among all other modes.

Kinds of ATM

HSBC in 1987 has installed first ATM of india at Mumbai. There are diverse kinds of ATMs used by the banks for the consumers.

A. Onsite and Offsite ATMs

ATMs which are located at the building of the bank are known as onsite ATMs and the one that are situated at some busy places are known as offsite ATMs like railway station, bus stops, malls, petrol pumps etc.

B. Stand alone and Net-worked

ATMs which are not connected to the center of the bank to which it belongs are stand alone ATMs.Net-worked ATM on the other hand are those which are linked to the branch and also linked to the twigs across the country means a customer of a particular bank can withdraw money from any branch of any bank at any city.

C. Dip-card and Motorized

Where the client is required to dip the card and take it back to do the transaction is known as dip card. The sensor of the machine identify the customer and greets him with the voice. On the other hand, motorized ATMs are very prevalent among all. In this the customer inserts the card in the machine and takes it back when the transaction is over. In some machines immediately the card is taken back whereas in some machines the card automatically comes out when money is withdrawn.

D. Front and Back

Money has to be often loaded in the ATM machines. In the front loading the door of the ATM section is closed and money is loaded where as in back loading, it is done behind the ATM and a message is displayed that “please wait for sometime. Some trade are being carried on”.

Types of Risks Associated with Web Banking

- Operational risk
- Security risk
- Reputational risk
- Legal risk
- Money laundering risk
- Cross border risks
- Strategic Risk
- Other risks
- Credit risk
- Liquidity Risk

The Future Scenario

Compared to banks overseas, Indian banks offer web trade still have a long way to go. For web banking to reach a critical mass, there has to be sufficient number of users and the sufficient infrastructure in place. The ‘Infinity’ product of ICICI Bank Ltd. gets only about 30,000 hits per month, with around 3,000 transactions taking place on the Net per month through this service. Though various security options like line encryption, branch connection encryption, firewalls, digital certificates, automatic sign-offs, random pop-ups and disaster recovery sites are in place or are being looked at, there is as yet no Certification Authority in India offering Public Key Infrastructure which is absolutely necessary for web banking. The customer can only be assured of a secured conduit for its web activities if an authority certifying digital signatures is in place.

Conclusion

Web banking is changing the banking trade and is having the major effects on banking relationships. The net banking, thus, "now are more of a norm rather than an exception in many industrial countries" due to the fact that it is the cheap way of providing banking trade. Banking is now no longer restricted to the conventional brick and mortar twigs, where one has to be at the branch in person, to withdraw money or deposit a cheque or request a statement of accounts. There is need to scan and analyze the market and respond to the needs of customers and to generate awareness regarding advantages of web banking.

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