CHAPTER 7: CONCLUSION

7.1 Conclusion

This research represents one of the very few empirical studies into a phenomenon of great managerial and academic interest. Clearly, though, a number of recommendations are deserved to qualify these research findings and to encourage future research efforts. It also identifies certain significant implications for researchers and the banking industry. With the emerging of latest technology, the costs of technology have reduced dramatically with the latest features which have made computers more affordable, available and accessible around the world. Thus it shows accessibility to the Internet is more readily available at present. As a result, the use of Internet Banking Service has grown dramatically in the world (A. C. Nielsen, 2002). This change gave customers more power to choose Internet Banking Services (Kalakola and Whinston, 1996). Therefore, studying on current Internet banking users regarding the regarding the prospectiveness of e-banking will provide both researchers and banks with valuable information in retaining their customers.

Compared to banks abroad, Indian banks offering online services still have a long way to go. For online 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 online banking. The customer can only be assured of a secured conduit for its online activities if an authority certifying digital signatures is in place. The communication bandwidth available today in India is also not enough to meet the needs of high priority services like online banking and trading. Banks offering online facilities need to have an effective disaster recovery plan along with comprehensive risk management measures. Banks offering online facilities also need to calculate their downtime losses, because even a few minutes of downtime in a week could mean substantial losses. Some banks even today do not have uninterrupted power supply unit or systems to take care of prolonged power breakdown. Proper encryption of data and effective use of passwords are also matters that leave a lot to be desired. Systems and processes have to be put in place to ensure that errors do not take place.
Reserve Bank of India has taken the initiative for facilitating real time funds transfer through the Real Time Gross Settlement (RTGS) System. Under the RTGS system, transmission, processing and settlements of the instructions will be done on a continuous basis. Gross settlement in a real time mode eliminates credit and liquidity risks. Any member of the system will be able to access it through only one specified gateway in order to ensure rigorous access control measures at the user level. The system will have various levels of security, viz., Access security, 128 bit cryptography, firewall, certification etc. Further, Generic Architecture both domestic and cross border, aimed at providing inter-connectivity across banks has been accepted for implementation by RBI. Following a reference made this year, in the Monetary and Credit Policy statement of the Governor, banks have been advised to develop domestic generic model in their computerization plans to ensure seamless integration. The abovementioned efforts would enable online banking to become more secure and efficient.

With the process of dematerialization of shares having gained considerable ground in recent years, banks have assumed the role of depository participants. In addition to customers’ deposit accounts, they also maintain demat accounts of their clients. Online trading in equities is being allowed by SEBI. This is another area which banks are keen to get into. HDFC Bank Ltd. has tied up with about 25 equity brokerages for enabling third party transfer of funds and securities through its business-to-business (B2B) portal, ‘e-Net’. Demat account holders with the bank can receive securities directly from the brokers’ accounts. The bank has extended its web interface to the software vendors of National Stock Exchange through a tie-up with NSE.IT – the infotech arm of the exchange. The bank functions as the payment bank for enabling the funds transfer from its customers’ account to brokers’ accounts. The bank is also setting up a net broking arm, HDFC Securities, for enabling trading in stocks through the web. The focus on capital market operations through the web is based on the bank’s strategy on tapping customers interested in trading in equities through the Internet. Internet banking thus promises to become a popular delivery channel not only for retail banking products but also for online securities trading. Not only that it the cost per internet banking transaction is only 10 paise as revealed by the India Research, May 29, 2000, Kotak Securities Report.

Currently all internet banks offer following e-services to their customers.

1) Opening of the bank accounts.
2) Requisition of cheque book.
3) Stop payment of cheques.
4) Viewing and printing of statement of accounts.
5) Movement of funds between accounts within the same banks
6) Querying on the status of requests.
7) Instructions on opening of the Letter of Credit and Bank Guarantee.
8) Transfer of Funds
9) Facility of Receipt
10) Review and Payment of Bills online

However considering the survey results and Reserve Bank of India’s initiative regarding the internet banking, e-commerce and e-banking, following under mentioned services will be catered to e-customers.

1) Services offered through Electronic payment systems such as NEFT, NECS, RTGS, NFS, Next GEN RTGS.
2) Core Banking Solutions
3) Cloud Computing
4) Mobile Telephony and Service Oriented Architecture
5) Wireless Application Protocol Services

The above mentioned services in e-commerce and m-commerce are poised for the big stride in coming years. Bank payment system operators will leverage on the huge potential of e-commerce and m-commerce.

As per the report on the e-commerce released by Internet and Mobile Association of India, the internet commerce industry will be generating the growth of Indian Rupees of 46,520 crores by the end of year 2011. Moreover the percentage increase in the number of e-customers have been witnessed at 16.7% and there are 850 million users (subscribers) as on 30-6-2011. It is also expected that there will be 97% tele density by the year 2015 and also the prospect of generating the growth of Indian Rupees 54288 crores approximately. Thus the prospects of internet banking are very bright considering the low cost banking mantra adopted by the internet banks which will be concentrating more on the availability, accessibility, acceptability, affordability and awareness of internet banking for their target e-customers.
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