

## Improving Services of Banking Applications Through E-Commerce

*There are many advantages when there is use of e-commerce, such as catalog flexibility and fast online updating, lower competitive gap, unlimited market place and business access, lower cost for business, and easier business administration. First the flexibly and fast online updating, it gives a direct linking capability to view other websites have developed, then for catalog, we can update it anytime when there is a new product or price changes without reprinting physically which cost higher. With the existing and the use of e-commerce, the competitive gap has been reduced because using e-commerce to conduct a business, the ability to reach customers has increased and able to reach customers globally. By applying e-commerce, new businesses does not need to compete equal footing such as number of retail stores with bigger companies. There are three aspects in which e-commerce can affect banking and finance. First, banks and financial firms can use the technology and business practice of e-commerce to market their products to the customers. Second, e-commerce provides a business opportunity for banks to offer new products and services to serve the needs of e-commerce. Third, the new business environment associated with e-commerce provides opportunity for institutional innovations in banking and finance, which can help to lay a sounder foundation for the international financial system.*

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### Concept of Mobile Banking :

Mobile banking is a system of providing services to a customer to carry out banking transactions on the mobile phone through a cellular service-provider. Banks have to provide facilities to their customers whenever they are in need and wherever they are. We can rather call this facility as "Anywhere and any moment banking", but it is restricted to only information about a person's account and not the cash services.

Mobile banking operates through short messages. Customers have to, therefore, configure Short Message Services (SMS). They have to activate Mobile Massaging Service (MMS) in the mobile phone.

Mobile banking is one of the important channels through which the customers can be migrated from front office operations to indirect channels, in order to save their valuable time as also that of the executives working in the bank. The time saved can be effectively utilized for business development and cost reduction. Cellular phones have gained so much prominence in the present day life that a person cannot survive without this communication channel. Once upon a time, a mobile phone was a luxury, but now it is a necessity.

In every state, the number of customers using cell

phones has increased to unexpected levels. At least 70% of these customers have bank accounts in various bank which uses technology and avail themselves of mobile banking services. Therefore, banks have chosen mobile banking as one of the best methods for channel migration of customers. Customers are also pleased to have these services.

### Facilities Available on Mobile Phone Banking :

(1) **Balance enquiry** : The service provides the customers, the available balance in his /her default/operative account that are linked to the customer identification number. The maximum number of accounts one can access is five.

(2) **Cost Transactions** : This type of transaction provides the customer with the information about last five debits/ credits made to the account.

(3) **Cheque Book Request** : Instead of going personally to the bank, the customer can request for a cheque book to be mailed to his or her address as per the records of the bank. This saves his or her valuable time.

(4) **Bill Payment** : For those companies which register with the bank for this service, the payment is made on request on mobile phone banking.

(5) **Change of Primary Account** : The customer has the

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option to change the primary account to another new account number for carrying out the transactions.

(6) **Help** : Customer can know the transaction codes for various types of transactions through this option.

Mobile phone bank-users will be alerted about outward clearing cheque realizations, inward cheque returns, alert on term deposits matured, on loan installments due, submission of stock statements by the borrower client, standing instructions failed on account of insufficient balance in the account, etc. Banks initiate alert messages on minimum balance in the account and also about the utility bills which are due for payment. The services in mobile banking by each of the cellular service-providers are tailor-made and customized for each bank that provides mobile banking service to its customers.

"There is only one valid definition of Business Principles to create a customer. As far as the banks are concerned, creation and relation of the customer has become crucial in the present day banking. Retention of the customer can be achieved only by giving the customer what he can be achieved only by giving the customer what he wants, whenever he needs it, wherever he may be at the most competitive price, if possible free. Viewed thus, provision of good customer service through mobile banking service should be the principal objective of the banks. It is an effective tool for channel migration.

#### **Benefits of Mobile Phone Banking :**

- (1) Customer need not stand at the bank counters/front offices for various enquiries about his accounts.
- (2) Customer can save his valuable time and travel cost in reaching the bank for his financial transactions.
- (3) It is a mobile service to have information, all the 365 days, anytime, anywhere, about his account.
- (4) Customer can pay his utility bills on time and save himself from paying penalties, since alerts are received from the bank.
- (5) Plan funding his account for the cheques issued to various customers, by taking advantage of balance enquiry/account status.
- (6) Cheque book requests can be made sitting at his workplace.
- (7) Bankers can utilize the time saved by channel migration of customers to mobile banking for expansion of business through better marketing and sales activities.
- (8) Banks can take advantage of the profits by way of commission for cellular companies by selling prepaid talk time through the ATMs.
- (9) Banks providing mobile-banking services can have competitive advantage over those banks, which are not providing this service.
- (10) Mobile banking enables banks to reduce costs of courier, communication, paper works, etc.

#### **Disadvantages :**

As the customer does not have direct access to the bankers, the 'relationships' may get affected. Effective communication may not be possible in diverting the

customers to indirect channels through channel migration. The customers' feelings, complaints and the feedback cannot be accessed directly. In this direction, certain customers like senior citizens, High Net Worth Individuals (HNWI) customers may be dissatisfied. Bankers, therefore, should utilize the benefits of technology and alternative channels of services available to convince dissatisfied customers.

#### **Internet Banking :**

Internet banking enables a customer to perform banking transactions through the bank's website. This is also called virtual banking, net banking, or anywhere banking. It is like bringing the bank to one's computer at the place and time of one's choice. This can be very useful, especially for banking outside bank hours through Internet access. The number of customers who chose online banking as their preferred method of dealing with their finances is growing rapidly. Online banking usually offers features like electronic bill payment. There is a growing number of banks that operate exclusively online due to cost advantage compared to traditional banks.

#### **Internet Banking Services—Features :**

Various customer services can be offered through Internet banking. These include:

- (1) Electronic bill presentation and payment.
- (2) Online bill payment for shopping, travel and donation transactions.
- (3) Funds transfers 24x7x365 facility.
- (4) Money transfer to India for NRI customers.
- (5) All routine transactions regarding banking, cards, loans and investment services.
- (6) Conduct banking services anywhere.

Internet banking helps in overcoming the traditional geographical barriers as it reaches customers residing in different countries. This has raised the question of jurisdiction on law to which such transactions should be subjected. It has also added new types of risks traditionally associated with banking. Security of banking transactions, validity of electronic contract, customers' privacy etc., which have all along been concerns for both bankers and supervisors have assumed greater dimensions given that Internet is a public domain, not subject to control by any single authority or group of users.

#### **Internet Banking in India :**

Internet banking is in its nascent stage in India. In general, the Internet banking sites offer only the most basic services. In India, only 55% are 'entry level' sites, offering little more than company information and basic marketing materials, only 8% offer advanced transactions' such as online funds transfer, transactions and cash management services. Presently, foreign and private banks are much advanced in terms of the number of sites and their level of development. At present, around five million customers have registered for Internet banking users. And though this is just 0.3% of the total population, it represents a high percentage of the India's Internet user population, thus

catching on.

In India, the Indian customer is steadily moving towards Internet banking. A number of banks have either adopted Internet banking or are on the threshold of adopting it. Cost of Internet banking amounts to a fraction of the cost incurred through alternative delivery channels. In the coming years, all low-value transactions may occur on the net.

Internet banking costs at Rs.0.10 per transaction. However, banks cannot expect instant returns, unless the Internet population itself reaches a critical mass. Besides, fully computerized banks, with better management of their customer base are in a stronger position to cross-sell their products through this channel. At present, Internet banking services are available at limited branches and have to grow beyond the metros to the semi-urban and rural areas to increase their online customer base. Banks in India are investing heavily to develop Internet banking infrastructure and building and Internet brand image. Internet penetration is growing and the profiles of the users online banking are very attractive and customers between the 30-40 age group are quite proficient in using this technology.

#### Drawbacks of Internet Banking :

(1) The biggest concern is of security and confidentiality, apart from the shifting customer loyalty due to multiple relationships and multiple accounts with banks and the eases at which a customer can change their banks.

(2) Transparency, disclosure requirements, anti-money laundering adherence to Know Your Customer (KYC) norms, privacy and outsourcing concern all banks around the world apart from the development of Public Key Infrastructure and security standers.

(3) Disadvantages include security, recent phishing attacks, all transactions not being possible online, slow adoption to Internet banking, lack of human interface, loss

requirement, disproportionate level of penetration and customer education.

(4) Trust of customers in a web venture in an important concern. Many customers hesitate to deal with an Internet bank as they are not sure of the quality of products and services they will receive.

(5) There are various banking products like loans and mortgages, withdrawal of cash, etc., that requires to be delivered in the physical form after proper authentication of the customer. These issues can drive the customer away from e-commerce.

(6) The privacy of information on the customer's preferences, credit card and bank account details, etc. These are mainly technological issues, but human factor is important both at the business and at the customers' end in building the trust in the system.

(7) Authenticity of a deal, identification of a customer etc., are important technological and systems issues, which are a major source of concern for Internet banking. Equally important are questions of repudiation of a deal, applicability of law, jurisdiction of tax laws etc.

(8) Accessibility to the Internet by the consumers in an important issue. This is particularly applicable in countries like India where penetration of PCs and other devices for access to Internet is minimal. Also important is the availability of bandwidth and other infrastructure required for faster and easier access.

(9) Many banks have discovered that Internet banking has actually added to the cost.

(10) Internet-based transactions are usually not fully automated, as it may required additional telephone calls, paper work, data entry etc.

(11) As the Internet may drive overall banking functions, banks have quickly realized that their current structure, functions and processes may not support internal developmental efforts.

(11) New players in the field have lower costs than banks that have been around for some time and hence can undercut the prices and provide greater competition to older banks.

(12) The stock markets tend to form a conservative opinion about old banks that are slow in adopting new technology. New entrants may attract higher ratings and as a result rise money quickly and attack old banks either organically or through acquisitions.

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Internet Banking Benefits	
Benefits for Customers	Benefits for Banks
<ul style="list-style-type: none"> <li>• Convenient Banking.</li> <li>• Tailored products and services.</li> <li>• Easy access.</li> <li>• Ease of shopping around for best price.</li> <li>• Ease of changing supplier.</li> <li>• Low cost and saves time.</li> <li>• Financial planning capability.</li> <li>• Privacy.</li> <li>• Elimination of waiting time.</li> <li>• Information gateway.</li> <li>• Offers new value to the customers.</li> <li>• Avoids traveling to and from a bank branch.</li> <li>• Round the clock availability.</li> </ul>	<ul style="list-style-type: none"> <li>• Lower cost per transaction.</li> <li>• Increase customer knowledge.</li> <li>• Ability to tailor products and services as per customers' requirements</li> <li>• Ability to access a large market.</li> <li>• Increase customer relationship.</li> <li>• Reduce errors, time consumed and overhead costs.</li> <li>• Minimum physical infrastructure requirement.</li> <li>• Reaching new segments of the population.</li> <li>• Create customer loyalty.</li> <li>• Achieve better cross-channel productivity and performance.</li> <li>• Increase in flexibility and the opportunities for improved service.</li> <li>• Eliminate the waste of paper.</li> </ul>

