Abstract
New information technology has taken important place in future development especially in banking sector. Internet banking has led to changes in banking sector. With the increased use of mobile services and internet for banking transactions, it is now replacing the traditional banking practice. Banking is no longer confined to branches only. There is no need to approach the branch in person to withdraw cash or deposit a cheque or request a statement of account. Now with internet banking any inquiry or transaction is processed online. Online banking provides a lot of benefits like customer satisfaction, cheapest banking services, better quality services as well as enable banks to gain competitive advantage over competitors. With this new distribution channel for banking transactions and international trading there is need to pay more attention towards E-Banking security against fraudulent activities. This research paper will introduce about Internet banking, its types, advantages, challenges and some tools to overcome them.

Keywords: E-Banking, Information technology, Customer satisfaction, Harmonization

1 Introduction
The internet has existed since the late 1960s but at that time its use was confined only to government and scientific research purposes. By the mid-1990s it became available to the public, in the form of innovative use of information technology and E-Commerce developed, allowing businesses to offer their products and services on web. Internet banking refers to the banking services provided by banks over the internet. Some of these are payment of bills, funds transfer, viewing account statement etc. Internet banking is performed through a computer system that can connect to the banking site via the internet. It means any user with personal computer and browser can get connected to his bank’s website to perform any of the
virtual banking functions. All the services that the banks have permitted are displayed in menu. The system is capable of distinguishing between those customer services request which can be automatically fulfilled and which are to be handled by customer service representative. The steps for handling customer request from menu of banking requests are: transmitting banking requests to a host computer over a network, receiving request at host computer, identifying type of customer request, automatic logging of service request, and then either request will be handled by customer services representative or by automated system.

2 Types of Internet Banking

(1) ATM (AUTOMATED TELLER MACHINE): An ATM work 24 hours a day, using ATM requires an ATM card and passcode referred as PIN(Personal Identification Number) which allows customers to access banking services such as deposits, withdrawal, transfers, inquiries about account balances, request for cheque books, direct deposits etc. ATMs are located mostly in most populated areas, which make them easy to find.

(2) TELE BANKING: It allows customers to conduct banking services using the phone or mobile from anywhere and anytime. Facilities provided through Tele banking are:
   (i) Automatic balance voice out
   (ii) Statement of account by Fax, e-mail
   (iii) Cheque book request
   (iv) Bill payments
   (v) Voice out of last five transactions

(3) HOME BANKING: Banks offer home banking services to customers by allowing them to install software, to connect to bank. It is secure but it is limited to a variety of services only. After 1985, it was not used by banks as it requires huge technology investments.

(4) SMART CARD: It contains an embedded 8-bit microprocessor. It helps to access data on the card. It is capable of many transactions such as a person could make purchases from their credit account, debit account. Smart card can also be used with smart card reader attachment to a personal computer to authenticate a user.

(5) DEBIT CARD: Debit card look like credit card, but operate like cash. It is quite different from credit card as it is away top “pay now”. With the use of debit card money is quickly deducted from saving account. Debit cards are accepted at many locations.

(6) E-CHEQUE: E-Cheque is the representation of paper cheque. It can be used in place of paper cheques as its legal framework is like that of paper cheque. The cheque writer “writes” the e-cheque using electronic devices and “gives” it to payee electronically. The payee “deposits” it and payee’s bank “clears” the e-cheque to the paying bank.

3 Benefits of Internet Banking

Internet banking has benefits for both the parties. Some of these are:

1. CASH MANAGEMENT: Internet banking facilities speed up cash cycle as variety of cash management instruments are available on internet sites, which help companies to manage their
short term cash by investing in short and long term deposits, in commercial papers, in bonds, equities and in money market funds.

2. FUNDS MANAGEMENT: Customers can download their history of different accounts, analyse their transactions on the web and can do better management of their funds.

3. REDUCTION IN COST: Internet banking is more cost effective tool for banks, which results in cost reduction for availing and using banking products and services.

4. CONVENIENCE: All banking transactions can be performed with internet connection from home, office or a place according to convenience of customers. Updating and maintaining direct account is now very easy.

5. CUSTOMER SATISFACTION: Internet banking provides a full range of services to the customers. Customers do not need to go to branch; he can have prints of forms and applications available through internet, which surely lead to better customer relation and satisfaction.

6. EFFICIENCY: Internet banking provides the banks with an almost paper less system, banks can become more efficient by providing internet access to their customers.

7. MOBILITY: Through internet banking new applications are continually created to improve the capabilities of smart phones and other mobile facilities.

8. QUICK INFORMATION: Transactions can be made 24 hours a day, without requiring physical interaction with the banks. Information can be quickly made available as customers can check multiple accounts at click of a button.

9. QUICK TRANSFERS: Banks offers unlimited transfers at no cost. They also accept direct deposits, withdrawals such as automatic bill payment.

4 Challenges of Internet Banking

Internet banking is the wave of future. It provides various benefits to consumers and also put challenges before authorities to regulate and implement macroeconomic policy. Some of challenges are:

1. ADOPTION OF GLOBAL TECHNOLOGY: For adopting global technology for local requirements there is need for adequate level of infrastructure by developing countries. Many consumers in some developing countries do not have access to necessary infrastructure to process e-payments.

2. NEED OF PUBLIC SUPPORT: E-finance initiatives in developing countries need the support of public sector. If public sector does not means to support these projects then cooperative efforts of both public and private sector, along with multinational agencies like World Bank is required.

3. SECURITY ISSUES: Security of transactions is main issue for banks. If banking transactions are not securing then it may result in losses such as lose of consumer confidence in electronic delivery channel?

4. CHALLENGES FOR BANK MANAGEMENT: E-banking has created many challenges for regulatory and supervisory authorities. These challenges are related not only with cross border transactions but also for domestic transactions based on application of technology.

5. IMPLICATIONS OF INTERNATIONAL E-BANKING: Cross border banking electronically leads to low transaction costs. But it also needs a high degree of cross border supervision. It needs harmonization of legal, accounting and taxation arrangements.
6. NEW CHALLENGES: Internet banking have same risks particularly governance, legal, operational and reputational which were inherent in traditional banking. Thus it poses new challenges.

7. NEED FOR RECOGNITION: New methods, new instruments, new service providers need legal definition, recognition and permission. For example: it will be essential to define electronic signature and give it legal status. In addition legal definition of bank and concept of National border need to be rethought.

5 Some Tools to Overcome Challenges

There are four key tools for regulators to overcome challenges of internet banking:

- ANONYMITY: Security issue is major challenge for the banks. By strengthening secrecy of sender’s personal information security of transactions can be enhanced. For example: Private information relating to internet banking includes the amount of transactions, date and time of transaction as well as name of merchant.

- HARMONISATION: It means to intensify cross border cooperation between supervisors and coordinating laws and regulatory practices internationally.

- ADAPTATION: As technology is changing very rapidly, there is need for banks to keep their regulations up to date. In May 2001, the bank for international settlements issued its “Risk management principles for electronic banking”. It recommends that banks board of directors and senior management review and approve key aspects of security control process.

- INTEGRATION: It is a process of including information technology issues and accompanying operational risks in bank supervisor’s safety. It means in addition to security and privacy issues bank examiners also want to know how bank’s management has elaborated its business plan for internet banking.

6 Conclusion

The rise of internet banks has increased the competition of banking business. The internet banking revolution has changed the business of banking by bringing new opportunities. Compared to developed countries, developing countries face many impediments that affect successful implementation of internet banking initiatives. One of the benefits that banks experience by sing internet banking is increased customer satisfaction. This is mainly due to that customers may access their accounts whenever, from anywhere, and they can create relationships with the banks. Banks should provide their customers with convenience, by offering several distribution channels and make their functions available online. With all these banks can attain success on financial market, but internet banking is difficult business and banks face a lot of challenges.

7 References

