Introduction

Banking in India

Banking in India originated in the last decades of the 18th century. The first banks were The General Bank of India which started in 1786, and the Bank of Hindustan, both of which are now defunct. The oldest bank in existence in India is the State Bank of India, which originated in the Bank of Calcutta in June 1806, which almost immediately became the Bank of Bengal. This was one of the three presidency banks, the other two being the Bank of Bombay and the Bank of Madras, all three of which were established under charters from the British East India Company. For many years the Presidency banks acted as quasi-central banks, as did their successors. The three banks merged in 1921 to form the Imperial Bank of India, which, upon India’s independence, became the State Bank of India.

Origin of Banking in India

Indian merchants in Calcutta established the Union Bank in 1839, but it failed in 1848 as a consequence of the economic crisis of 1848-49. The Allahabad Bank, established in 1865 and still functioning today, is the oldest Joint Stock bank in India. (Joint Stock Bank: A company that issues stock and requires shareholders to be held liable for the company’s debt) It was not the first though. That honor belongs to the Bank of Upper India, which was established in 1863, and which survived until 1913, when it failed, with some of its assets and liabilities being transferred to the Alliance Bank of Simla. When the American Civil War stopped the supply of cotton to Lancashire from the Confederate States, promoters opened banks to finance trading in Indian cotton. With large exposure to speculative ventures, most of the banks opened in India during that period failed. The depositors lost money and lost interest in keeping deposits with banks. Subsequently, banking in India remained the exclusive domain of Europeans for next several decades until the beginning of the 20th century.
e - Banking

The concept of online banking as we know it today dates back to the early 1980s, when it was first envisioned and experimented with. However, it was only in 1995 that Presidential Savings Bank first announced the facility for regular client use. The idea was quickly snapped up by other banks like Wells Fargo, Chase Manhattan and Security First Network Bank. Today, quite a few banks operate solely via the Internet and have no 'four-walls' entity at all.

In the beginning, its inventors had predicted that it would be only a matter of time before online banking completely replaced the conventional kind. Facts now prove that this was an overoptimistic assessment - many customers still harbor an inherent distrust in the process. Others have opted not to use many of the offered facilities because of bitter experience with online frauds, and inability to use online banking services.

Be that as it may, it is estimated that a total of 55 million families in America will be active users of online banking by the year 2010. Despite the fact that many American banks still do not offer this facility to customers, this may turn out to be an accurate prediction. The number of online banking customers has been increasing at an exponential rate.

Forms of e - Banking

Internet banking is gaining ground. Banks increasingly operate websites through which customers are able not only to inquire about account balances and interest and exchange rates but also to conduct a range of transactions. Unfortunately, data on Internet banking are scarce, and differences in definitions make cross-country comparisons difficult. Even so, one finds that Internet banking is particularly widespread in Austria, Korea, the Scandinavian countries, Singapore, Spain, and Switzerland, where more than 75 percent of all banks offer such services (see chart). The Scandinavian countries have the largest number of Internet users, with up to one-third of bank customers in Finland and Sweden taking advantage of E-banking. Different forms of E-banking are as follows:

(i) Internet Banking

(ii) Automated Teller Machines (ATM)
(iii) Tele Banking
(iv) Smart Card
(v) Debit Card
(vi) E-Cheque

**Future of e-banking**

There will be a large-scale shift to online banking in the next decade as banks go the extra mile in technology developments to keep up with the competition. It is believed the low transaction cost will make banking on the Net irresistible, but also that this will require institutions to carefully consider and plan customer relations programs.

It is believed that everything will be determined by content and context, and where execution will be key. From a customer and service provider perspective, this is where the world is moving—it is going to be real-time, on-line, personalisation for both marketing and the service experience. If existing banks don't want to disappear, it is this challenge that they need to embrace in order to win and survive.