INTRODUCTION

Online banking, also known as internet banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website. The online banking system will typically connect to or be part of the core banking system operated by a bank and is in contrast to branch banking which was the traditional way customers accessed banking services. Fundamentally and in mechanism, online banking, internet banking and e-banking are the same thing.

To access a financial institution's online banking facility, a customer with internet access would need to register with the institution for the service, and set up a password and other credentials for customer verification. The credentials for online banking is normally not the same as for telephone or mobile banking. Financial institutions now routinely allocate customers numbers, whether or not customers have indicated an intention to access their online banking facility. Customers' numbers are normally not the same as account numbers, because a number of customer accounts can be linked to the one customer number. The customer number can be linked to any account that the customer controls, such as cheque, savings, loan, credit card and other accounts.

The customer visits the financial institution's secure website, and enters the online banking facility using the customer number and credentials previously set up. The types of financial transactions which a customer may transact through online banking usually includes obtaining account balances, lists of the latest transactions, electronic bill payments and funds transfers between a customer's or another's accounts. INDIAN BANKING SYSTEM

The banks in India’s are in many shapes and forms that can be categorized on the basis of ownership, functions and operations. The Indian banking system is regulated by the Reserve Bank of India (RBI) that comprises of scheduled and nonscheduled banks and these are classified in various sub-categories as follows:-

SCHEDULED BANKS:

“Scheduled Banks in India are those banks which have been included in the Second Schedule of Reserve Bank of India (RBI) Act, 1934.” As on 30th June, 1999, there were 300 scheduled banks in India having a total network of 64,918 branches and till March 31, 2002, this figure is
increased 418 banks in India with its wide network of all over India. The following are the Scheduled Banks in India:

FUNCTIONS OF MODERN BANKS:
Modern banks not only deal in money and credit but they also perform various functions, namely, agency functions, management of foreign trade, finance, etc. The meaning of modern banks is used in narrow sense of the term as commercial banks. The various functions of commercial banks can be seen from the following chart:

INTRODUCTION OF INTERNET BANKING
A number of authors and experts have defined e-banking services as a contemporary facility that provides conventional bank products and services through a new medium i.e. IT. It is entirely automated facility based on IT delivery mechanism to conventional banking users’ products and services. It provides online medium of conducting and providing various banking services, such as, online accessibility of bank account, online fund transfer facility, online bills paying facility etc. The benefits provided by e-banking medium have resulted into swift growth of banking sector worldwide.

The internet facility has transformed the business world in terms of managing business. According to Abu Shanab et al. (2010), internet has transformed the entire business pattern for people as well as for businesses. Although, technological advancements are happening everyday but not every advancement has been welcomed and adapted by financial sector; but financial sector that enjoying advantages of this new mode of service delivery, has adapted the e-banking phenomenon from its introduction only. Originally it was used for online banking promotional activities of their products and services; but as the e-banking concept developed, banks have started enjoying its various other advantages, such as, reduced per transaction cost, enhanced customer service, raised long term returns by providing ‘anytime anywhere’ banking to the banking customers.

Advancement in technology provides fast innovative changes in people’s routine life. The most significant recent technical advancement that drastically transformed the entire scenario of providing services is the use of internet facility in service delivery. Number of people that are adapted this technological advancement for online transaction such as, online shopping, is increasing tremendously. Gradually, more business organizations realized that it can be utilized to facilitate growth through its advantages of easy accessibility to information and technology
transfer. The cut throat competitive environment and demanding customers compelled banks to adapt e-banking concept.

Most of the business organizations have swiftly adapting the advancement in technology and internet facility. Adopting new internet applications have resulted in enhancement of efficiency and quality of service provided as well as attracting prospecting customers. Thus, evolution of internet facility had transformed entire business world around the globe and same happened in banking sector. Banking sector have always been on the top in using ICT in banking business. Challenges faced by banking sector such as, increase in competition, catering variety of demand of heterogeneous customers, decreasing revenue margin and advantages provided by technology, have compelled banks to process new human resource management system. To successfully face all these challenges banks have adapted new technological advancements as earliest as possible. Other driving forces that worked for banks to adapt technological advancements are the challenges of meeting varied customer expectations, new regulation and entering into new geographical areas and requirement of new products and services.

Technological advancement specifically, in IT is always seen as the main source of changes taking place around the globe. The entire banking industry has entered into an unparalleled Competitive form facilitated by new ICT infrastructure, because of universal and gradual development of ICT.

The latest buzzword for corporate is e-commerce due to increase in awareness of utilization of computer and internet facility and increased use of these facility resulted into development of e-commerce. Today, internet facility has become the main medium of financial, commercial and banking transactions and advancement in ICT have become the top concern for banks. The growth of modern financial software applications has changed the business relationship and service provision with very fast pace. The development in ICT more or less impacted entire business world. Today, e-banking has been extensively used in developed nations and is swiftly escalating in the developing nations as well. Now, e-banking has become a global concept.

The most recent technological advancement is the evolution of e-banking. Various alternative modes of providing banking products are evolved and gained popularity in recent past, such as, tele-banking, Automated Teller Machines, e-banking, credit & debit cards. The most recent one is e-banking that has major impact on the financial market. Banks got the sense that internet facility will open up new horizons for banks and will help them to adapt globalization
effectively. According to Thulani et.al, 2009 and Henry, 2000, “Internet banking refers to systems that enable bank customers to get access to their accounts and general information on bank products and services through the use of bank’s website, without the intervention or inconvenience of sending letters, faxes, original signatures and telephone confirmations”.

**HISTORY OF E-BANKING**

The evolution process of latest service delivery mechanism through internet i.e. e-banking started from the early 1980s. In late 1980s, the term online got popularized and it was referred to a banking medium of using a terminal, keyboard and monitor to access the banking system through a phone line. Another term used for this was ‘Home Banking’ and in it, customers were using a numeric keypad to send tones down a phone line with instructions to the bank. In 1981, e-banking has started in New York with offering home banking service using videotext system by Citibank, Chase Manhattan Bank, Chemical bank and manufacturers Hanover bank. Although due to failure of videotext system, Home Banking was not able to gain popularity except in France and UK.

In 1983, Bank of Scotland provided UK’s first home online banking service to the banking customers of Nottingham Building Society. This online banking service was based on Prestel system of UK and used a computer like BBC Micro or keyboard connected to the telephone and television system. This system was called Home link and it enabled customers to view their bank statements online, online fund transfer and online bill payment. To pay bills or transfer funds, customers need to send a written instruction having details of intended transaction to Nottingham Building Society who set the details upon the Home link system. The usual recipients of this service were electric company, Gas Company, telephone companies and other banks. The account holder has to provide details of the payment through Pestle into Nottingham Building Society system. Then, a cheque of payment amount has to be send by Nottingham Building Society to the payee and an instruction giving details of the payment was send to the account holder. Later, BACS was used to directly transfer the payment.

In Oct. 1994, Stanford Federal Credit Union was the first financial institution that provided internet banking facility to its all members.

In 1995, Wells Fargo was the first U.S. bank to add account services to its website, with other banks quickly following suit. That same year, Presidential became the first U.S. bank to open bank accounts over the internet. According to research by Online Banking Report, at the end of
1999 less than 0.4% of households in the U.S. were using online banking. At the beginning of 2004, some 33 million U.S. households (31%) were using some form of online banking. Five years later, 47% of Americans used online banking, according to a survey by Gartner Group. Meanwhile, in the UK online banking grew from 63% to 70% of internet users between 2011 and 2012.

The early 2000s saw the rise of the branch-less banks as internet only institutions. These Web-based banks incur lower overhead costs than their brick-and-mortar counterparts.