

Lesson no. 2 – Internet Banking

After demonetisation in 2016, digital banking has grown at a faster pace. Most of the Indian banks have launched their internet banking and mobile banking websites to facilitate the customers with online availability of almost all banking products. Internet banking is now a common mode of secure and convenient banking services. Let us understand the concept of Internet banking.

What is Internet Banking?

Internet Banking, also known as net-banking or online banking, is an electronic payment system that enables the customer of a bank or a financial institution to make financial or non-financial transactions online via the internet. This service gives online access to almost every banking service, traditionally available through a local branch including fund transfers, deposits, and online bill payments to the customers.

Internet banking can be accessed by any individual who has registered for online banking at the bank, having an active bank account or any financial institution. After registering for online banking facilities, a customer need not visit the bank every time he/she wants to avail a banking service. It is not just convenient but also a secure method of banking. Net banking portals are secured by unique User/Customer IDs and passwords.

Special Features of Internet Banking

Here are some of the best features of internet banking:

- Provides access to financial as well as non-financial banking services
- Facility to check bank balance any time
- Make bill payments and fund transfer to other accounts
- Keep a check on mortgages, loans, savings a/c linked to the bank account
- Safe and secure mode of banking
- Protected with unique ID and password
- Customers can apply for the issuance of a chequebook
- Buy general insurance
- Set-up or cancel automatic recurring payments and standing orders
- Keep a check on investments linked to the bank account

Services Available through the Internet Banking

Once a customer is registered for online banking, he/she can log-in to the respective online banking portal of his/her bank using the issued User-ID and password.

| Services Available on the Internet Banking Portals | | |
|--|----------------------------------|-------------------------------|
| Account Balance Check | View Bank Statements | NEFT & RTGS Fund Transfer |
| IMPS Fund Transfer | Utility Bill Payment | Start a Deposit |
| Open/Close a Fixed Deposit | Make Merchant Payments | Issuance of Cheque Book |
| Start Investments | Buy General Insurance | Recharge Prepaid Mobile/DTH |
| Check Mortgages, Loans | Set-up/Cancel Automatic Payments | Manage/Change Account Details |
| Book Online Tickets | Buy/Sell on E-Commerce Platforms | Invest and Conduct Trade |

Advantages of Internet Banking

Given below are some advantages/benefits of Internet Banking available for all the users-

- **24x7 Availability:** Internet banking, unlike usual banking hours, is not time-bound. It is available 24x7 throughout the year. Most of the services available online are not time-restricted. Users can check their bank balance, account statements and make fund transfers anytime instantly.
- **Convenience of initiating financial transactions:** Internet banking is largely preferred because of the convenience that it provides while fund transfer and bill payments. Registered users can use almost all the banking services without having to visit the bank and standing in queues. Financial transactions such as paying bills and transferring funds between accounts can easily be performed anytime as per the convenience of the user.
- **Proper Track of Transactions:** Acknowledgement slips are provided by the bank after transactions which have a high possibility of getting misplaced. However, with internet banking, it becomes very easy to track the history of all the transactions initiated by the user. Transactions and fund transfers made online are organised in the 'Transaction History' section along with other details such as payee's name, bank account number, the amount paid, the date and time of payment, and remarks.

- **Quick and Secure:** Net banking users can transfer funds between accounts instantly, especially if the two accounts are held at the same bank. Funds can be transferred via NEFT, RTGS or IMPS as per the user's convenience. One can also make bill payments, EMI payments, loan and tax payments easily. Moreover, the transactions, as well as the account, are secured with a password and unique User-ID.
- **Non-financial Transactions:** Besides fund transfer, internet banking allows the users to avail non-financial services such as balance check, account statement check, application for issuance of cheque book, etc.

Types of Fund Transfers using Internet Banking

As we have already discussed, there are three types of fund transfers which can be made using net-banking. Let us understand more-

NEFT

- National Electronic Fund Transfer ([NEFT](#)) is a payment system which allows one-to-one fund transfer.
- Using NEFT, individuals and corporates can transfer funds electronically from any bank branch to any individual or corporate with an account with any other bank branch in the country
- NEFT service is available 24x7 on internet banking. But, it is a time-restricted service at the bank branch
- Usually, NEFT transfer is successfully completed within 30 minutes. Nonetheless, the time can even stretch to 2-3 hours or might be completed in just 10 minutes

RTGS

- Real-Time Gross Settlement ([RTGS](#)) is a continuous settlement of funds individually on an order by order basis.
- This payment system ensures that the receiver's account gets credited with the funds almost immediately and not after a certain duration, as is the case with other payment modes like NEFT
- RTGS transactions are tracked by the RBI, thereby successful transfers are irreversible. This method is majorly used for large value transfers
- The minimum amount to be remitted through RTGS is 2 lakh. There is no cap on the maximum amount for transfer via RTGS
- Like NEFT, RTGS is also available online 24x7

IMPS

- Immediate Payment System ([IMPS](#)) is another payment method that transfers funds in real-time.
- IMPS is used to transfer funds instantly within banks across India via mobile, internet and ATM, which is not only safe but also economical both in financial and non-financial perspectives
- IMPS is an inexpensive mode of fund transfer. Other fund transfer mediums such as NEFT and RTGS charge significantly higher than IMPS
- It does not require details like account number, IFSC code, etc. Funds can be transferred via IMPS just with the mobile number of the beneficiary

How to Register for Internet Banking?

Every account holder has to register for an online banking service at his/her respective bank to get access. Most of the banks provide a net-banking log-in kit as and when you apply for a new account. To start using net-banking, follow these steps-

- Download the application form from your bank's official website, fill the same and take out a print. You can also visit the bank directly and fill the application form for net-banking
- Submit the application form at the bank
- After verification, you will receive a unique User ID and password using which you can log-in to internet banking

What is E-Banking?

- E-banking or Electronic Banking refers to all the forms of banking services and transactions performed through electronic means. It allows individuals, institutions and businesses to access their accounts, transact business, or obtain information on various financial products and services via a public or private network, including the internet.
- Popular Types of E-banking Services in India
- Internet Banking: It is the type of electronic banking service which enables customers to perform several financial and non-financial transactions via the internet. With internet or online banking or net-banking, customers can transfer funds to another bank account, check account balance, view bank statements, pay utility bills, and much more.
- Mobile Banking: This electronic banking system enables customers to perform financial and non-financial transactions via mobile phone. Most of the banks have launched their mobile banking applications available on Google Playstore and Apple App Store. Just like the net-banking portal, customers can use the mobile application to access banking services.

- **ATM: Automated Teller Machines (ATM)** is one of the most popular types of e-banking. ATMs allow customers to withdraw funds, deposit money, change Debit Card PIN, and other banking services. To make use of an ATM, the user must have a password. Banks charge a nominal fee from the customers on every transaction made after crossing the specified limit of free transactions if the transaction is done from any other bank's ATM.
- **Debit Cards:** Almost every person owns a debit card. This card is connected to your bank account and you can go cashless with this card. You can use your debit card for all types of transactions, the transaction amount is debited from your account instantly.
- **Deposit and Withdraws (Direct):** This service under e-banking offers the customer a facility to approve paychecks regularly to the account. The customer can give the bank an authority to deduct funds from his/her account to pay bills, instalments of any kind, insurance payments, and many more.
- **Pay by Phone Systems:** This service allows the customer to contact his/her bank to request them for any bill payment or to transfer funds to some other account.

Services Provided through E-banking in India

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| Telephone Banking | ATMs (Automated Teller Machines) |
| Electronic Clearing Cards | Mobile Banking |
| Door-step Banking | Bill Payment |
| Shopping | Smart Cards |
| Funds Transfer | Internet Banking |
| Electronic Funds Transfer System | Electronic Clearing Services |
| Telebanking | Investing |
| Fixed Deposits | Insurance |

Comparison between Internet Banking and E-Banking

Internet banking and Electronic banking are often confused with each other. Let us compare the two for better understanding:

Definition

Internet banking or online banking or net-banking is a digital payment system which enables customers of a bank or a financial institution to make financial or non-financial transactions online via the internet. On the other hand, E-banking or Electronic Banking refers to all the forms of banking services and transactions performed through electronic means.

Electronic banking or E-banking is a broad category of accessing banking services via electronic means, whereas Internet banking is a part or type of electronic banking. It is also known as electronic funds transfer (EFT) and uses electronic means to transfer funds directly from one account to another.

Types of Services

With internet banking, customers can obtain every banking service, traditionally available through a local branch including fund transfers, deposits, and online bill payments to the customers.

Electronic banking includes various transaction services such as internet banking, mobile banking, telebanking, ATMs, debit cards, and credit cards. Internet banking is one of the latest additions to electronic banking.