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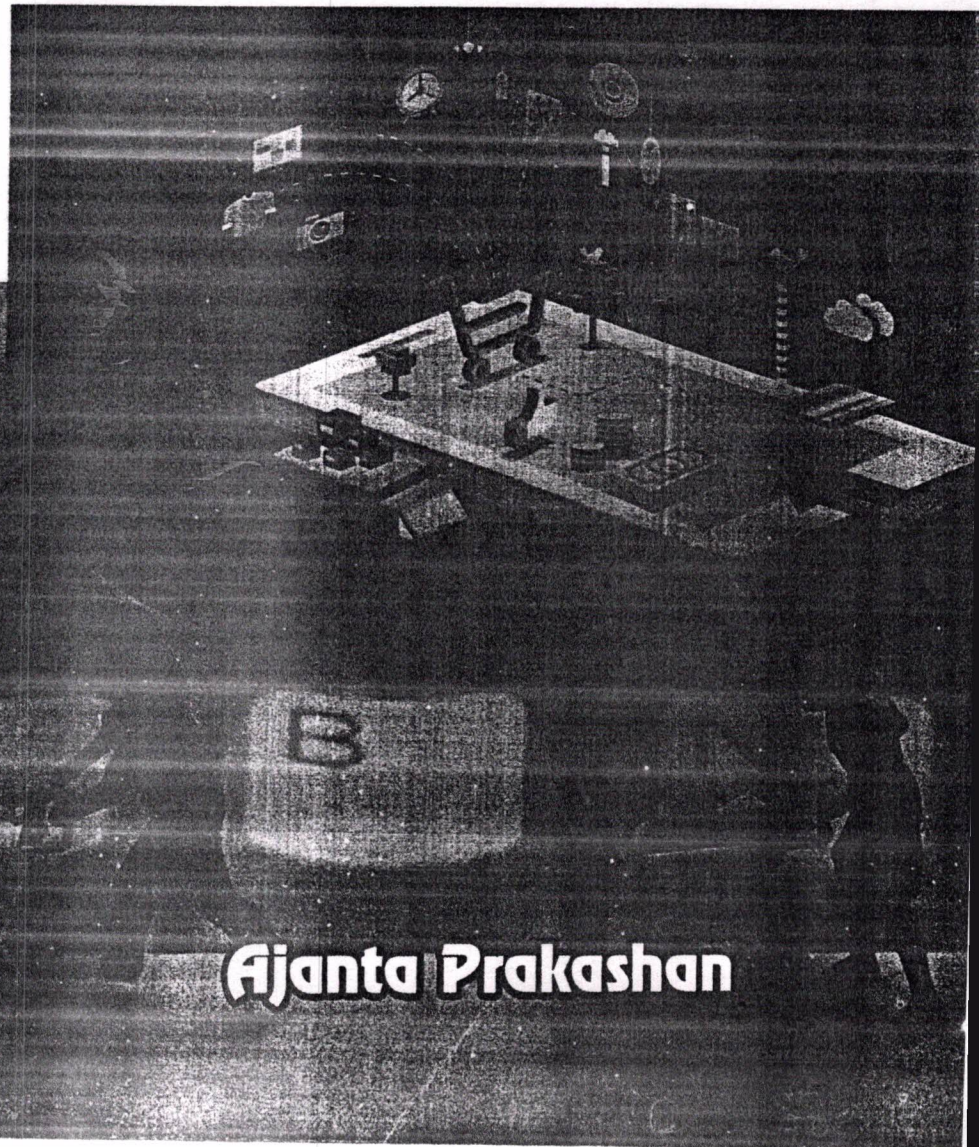
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9. Benefits and Drawbacks of Internet Banking

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Introduction

Online banking is one of the services that your financial institution can offer you. More people are relying on Internet-only banking as their only way of doing business. Before agreeing to online account access or before starting an account with an Internet-based bank, you should become familiar with the risks and advantages of online banking. Online banking has become an accepted norm of monetary transactions for millions in India over the past decade. The ease with which a customer can check his account, make payments online and transfer money between accounts has made this mode of banking hugely popular among Indians who are perpetually short of time to visit the bank physically. Online banking also provides a host of non transactional features which are quite handy to the customer. However along with the world of conveniences this method of banking has a few inherent pitfalls which need to be understood in order to protect your money and avoid complications subsequently.

Key Benefits of Internet Banking

There are plenty of perks offered by banks to customers who adopt internet banking over the traditional visit physically to the nearest branch office.

Convenience

This is the single most important benefits that outweigh any shortcoming of internet banking. Making transactions and payments right from the comfort of home or office at the click of a button without even having to step out is a facility none would like to forego. Keeping a track of accounts through the internet is much faster and convenient as compared to going to the bank for the same. Even non transactional facilities like ordering check books online, updating accounts, enquiring about interest rates of various financial products etc become much simpler on the internet.

Better Rates

The banks stand to gain significantly by the use of internet banking as it implies lesser physical effort from their end. The need to acquire larger spaces for offices and employ more staff to deal with the customers is significantly reduced making it financially beneficial to the banks. This means that a portion of savings accrued can be passed on to the customers in terms of higher rates on deposits and lower rates on loans. To encourage internet banking most banks offer minimum or no deposit accounts for online banking and lower penalties on early withdrawal of Fixed Deposits.

Services

Technology has made it extremely convenient for the bank as well as the customer to access to a host of wonderful services by simply logging in. These services include financial planning capabilities, functional budgeting and forecasting tools, loan calculators, investment analysis tools and equity trading platforms which are available as simple applications on the bank's website. Additionally most banks also provide the facility of online tax forms and tax preparation.

Mobility

Internet banking has a step further in the last few years in the form of mobile internet banking which accords unlimited mobility to the customer who can now handle financial transactions even while on the move.

Another important benefit of the concept of internet banking is that it is good for the environment as it cuts down the usage of paper, reduces pollution as people do not have to travel physically and also does not add emissions.

Drawbacks of Internet Banking

However the current trend of exclusively using the online mode to make all kinds of transactions has a few pitfalls which may prove costly in the long run unless guarded against from the beginning.

Relationships

Online transactions take a toll on the relationship with the banker which the traditional visit to the branch office used to foster. Personal relationship with the staff at the banks comes handy when requesting for faster loan approval or a special service which may not be available to the public. The manager has many discretionary powers such as waiving of penal interest or service fees which were often taken advantage of by better acquaintance with the staff.

Additionally personal contact also meant that the banker would provide essential financial advice and insights which are beneficial to the customer.

Complex Transactions

There are many complex transactions which cannot be sorted out unless there is a face to face discussion with the manager that is not possible through internet banking. Solving specific issues and complaints requires physical visit to the bank and cannot be achieved through the internet. Online communication is neither clear nor pin pointed to help resolve many complex service issues. Certain services such as the notarization and bank signature guarantee cannot be accomplished online.

Security

This is the biggest pitfall of the internet banking scheme which needs to be guarded against by the common customer. Despite the host of sophisticated encryption software is designed to protect your account there is always a scope of hacking by smart elements in the cyber world. Hacker attacks, phishing, malware and other unauthorized activity are not uncommon on the net. Identity theft is yet another area of grave concern for those who rely exclusively on internet banking. Most banks have made it mandatory to display scanned copies of cleared checks online to prevent identity theft. It is essential to check bank's security policies and protections while opening an account and commencing the usage of online banking facilities.

Online banking is definitely a significant move in the right direction as far as the convenience of the customer as well as the banker are concerned but it must be applied with adequate precaution to avoid falling prey to unscrupulous elements poaching the internet.

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