



## **CHALLENGES BEFORE E-BANKING IN INDIA**

**DR. A. R. GHUMATKAR**

Arts, Commerce & Science College, Narayangaon, Tal-Junnar, Pune

Savitribai Phule Pune University, Pune.

### **ABSTRACT:**

The financial services industry is going through dramatic changes as a consequence of changing customer behavior, increasing expectations, channel proliferation, disruption, innovative use and adoption of new technologies and the digitization of business and society in general. E-banking is the most pioneering trend among the customers in the present era of thrust for more expeditious and secured financial services. The transfer from the traditional banking to e-banking has been an elevating amendment in banking dealings. Enlarged competition, the advancement of information & communication technology, and transmuting business environment etc. are the consequential concerns that have coerced banking services to transmute.

This particular paper endeavors to explore the sundry online customer services provided by the banking industry in India and additionally discussed the magnification rate and future prospects of the e-banking services provided by the Indian banks in this regard. To quantify the progress of sundry online services provided by the banks, data has been amassed from 2003 onwards from the website of the Reserve Bank of India. After visually perceiving the growth rate of e-banking services it can be verbalized that e-banking is accepted in the banking sector and an abundance of work can be done in this sector to make it more advance, safe and more expeditious accommodation provider in finance sector. E-banking has the potential to transform the banking business as it significantly lowers transaction and delivery costs. This paper discusses some of the problems developing countries, which have a low penetration of information and telecommunication technology, face in realising the advantages of e-banking initiatives. Major concerns such as the 'digital divide' between the rich and poor, the different operational environments for public and private sector banks, problems of security and authentication, management and regulation, and inadequate financing of small and medium scale enterprises (SMEs) are highlighted. Banks all over the world have embraced innovative banking technologies and e-banking services in recent years.

**KEYWORDS:** Banking Industry, Telecommunication Technology, Business environment, ATMs, Technology, E-banking

### **INTRODUCTION:**

The in India has experienced radical changes since independence with the improvements in technology & automation. The banking sector has become highly competitive. To survive & grow in the changing market scenario banks are opting for best in class & latest technologies. Introduction of IT has changed the banking industry from paper & branch banks to digitize & network based banking services. Information technology has become the base of the recent financial sector reforms and has helped the banks in developing leaner and more flexible structure that can respond quickly to the dynamic of a fast changing

market. The use of IT in the banking sector has increased beyond one's imagination with features like online loan application, online uploads of documents, net banking online bill payments etc. before a couple of decades who would have thought these things could have been possible.

### **OBJECTIVES OF THE STUDY**

The said research study was carried out with following objectives in view:-

1. To study the changing face of E-Banking Services in India.
2. To study the challenges faced by Indian banks in adoption of technology.
3. To study the Opportunities of Banking Sector in India.

### **RESEARCH METHODOLOGY**

With the above objectives kept in mind the instructed desk research method was basically adopted. The secondary data is collected from various reference books related to banking & finance. For said research study secondary data is also collected from the national & international Research journals which are related to commerce & bank sector. The secondary data is also collected from the various websites.

### **COMPETITION IN E- BANKING**

The access of new generation private sector banks has altered the entire situation. Formerly the household savings went into banks and the banks lent out money to corporates. Now they require selling banking. The retail segment, which was earlier unnoticed, is now the most vital of the lot, with the banks jumping over one another to give out loans. The consumer has never been so lucky with so many banks contributing so many products to choose from. With supply far greater than demand it has been a race to the bottom, with the banks undercutting one another. A lot of foreign banks have previously scalded their fingers in the retail game and have now decided to get out of a few retail segments completely.

### **E- BANKING**

E- Banking is a banking service that is geared primarily towards individual consumers. E-Banking is usually made available by commercial banks, as well as smaller community banks. Retail banking is unique mass-market banking where individual customers make use of local branches of larger commercial banks. The term E-Banking encompasses various financial products viz., different types of deposit accounts, housing, consumer, auto and other types of loan accounts, demat facilities, insurance, mutual funds, credit and debit cards, ATMs and other technology-based services, stock-broking, payment of utility bills, reservation of railway tickets, etc.,. It caters to diverse customer groups and offers a host of financial services, mostly to individuals. It takes care of the diverse banking needs of an individual. E-Banking is a system of providing soft loans to the general public like family loans, house loans, personal loans, loans against property, car loans, auto loans etc. The products are backed by world-class service standards and delivered to the customers through the growing branch network, as well as through alternative delivery channels like ATMs, Phone Banking, Net Banking and Mobile Banking. Customers and small businesses get benefited from increased credit access, speedy and objective credit decisions whereas lenders get benefited from increased consistency and compliance.

### **CHANGING FACE OF E-BANKING SERVICES**

Liberalization brought several changes in the service industry in India. It is likely that the Indian banking tremendous learned a lesson. Prior to liberalization, all we did was in a bank deposit and withdraw money. Service standards were pathetic, but all I could do was grin and bear it. Following liberalization, the tables have turned. It is a consumer-oriented market there.

Technology is revolutionizing all areas of human endeavor and activity. One is the introduction of information technology in the capital market. Internet banking is changing the banking industry and is having a significant impact on the banking relationship. Web is more important to financial services for many other industries.

Retail banking in India is maturing with time, several products, which could be customized. Most of the industry is going home loan, which is witnessing a fierce competition. Housing loans are very popular as they help to make your fondest dream. Interest rates are falling and the market has seen some innovative products. Other retail banking are personal loans, student loans and car loans. Almost all banks and financial institutions are offering these products, but it is essential to understand the different aspects of these loan products, which are not mentioned in your ad colors.

## **CHALLENGES OF E- BANKING IN INDIA**

- 1. Traditional banking habits:** Most of the US adults participate in online banking, on the other hand, there are still some people who don't use online banking. A majority of such people are well versed in traditional banking. Such resistance to change is typically due to a lack of trust in the online system or the incompetence to operate online portals. And this is why banks are influencing people to adopt online banking. Banks can simply prove the benefits of online banking and disadvantages of traditional banking to their customers.
- 2. Security and fraud instances:** This is one of the most significant challenges for banks promoting online banking. In traditional banking, robbers break into the banks to steal money, whereas in online banking hackers can break into customers details and illegally transfer money. For example, in 2015, around 130 million British pounds were stolen from online bank accounts through fraud. The extension of e-commerce provides a chance for fraudsters to misuse payment networks and steal sensitive information.
- 3. Cross-border transactions:** The implementation of cross-border transaction plays a vital role in the global trade and is one of the remarkable success factors of online banking. Historically cross-border payments have been slow, incompetent, and expensive because most of the banks still use traditional infrastructure including national banking infrastructure, which results in non-uniform development and software platforms that confuse cross-border transaction. To overcome these challenges, new technologies including block chain have been promising to enable smooth cross-border transactions.
- 4. Confidentiality, integrity and authentication:** These three are the very important features of the banking sector and were very successfully managed all over the world before the coming of internet. Communication across an open and thus insecure channel such as the internet might not be the best base for bank-client relations as trust might partially be lost
- 5. Customer Satisfaction:** In today's competitive world, satisfaction of customers is a major challenge for the banking sector because customers have alternative choices in various types of services provided by banks.
- 6. Handling Technology:** Developing or acquiring the right technology, deploying it optimally and then leveraging it to the maximum extent is essential to achieve and maintain high service and efficiency standards while remaining cost effective and delivering sustainable return to shareholders. Early adopters of technology acquire significant competitive advances Managing technology is therefore, a key challenge for the Indian banking sector.
- 7. Security Risk:** The problem related to the security has become one of the major concerns for banks. A large group of customers refuses to opt for e-banking facilities due to uncertainty and security concerns . Most of internet users are not using internet

banking in India because of security concerns. So it's a big challenge for marketers and makes consumers satisfied regarding their security concerns, which may further increase the online banking use.

- 8. Privacy risk:** The risk of disclosing private information & fear of identity theft is one of the major factors that inhibit the consumers while opting for internet banking services. Most of the consumers believe that using online banking services make them vulnerable to identity theft.

## OPPORTUNITIES

Following are the opportunities for the banking sector.

- 1. Rural area customers :** Contributing to 70% of the total population in India is a largely untapped market for banking sector. In all urban areas, banking services entered but only few big villages have the banks entered. So that the banks must reach in remaining all villages because majority of Indian still living in rural areas.
- 2. Good customer services :** Good customer services are the best brand ambassador for any bank for growing its business. Every engagement with customer is an opportunity to develop a customer faith in the bank. While increasing competition, customer services has become the backbone for judging the performance of banks.
- 3. Internet Banking :** It is clear that online finance will pick up and there will be increasing convergence in terms of product offerings, banking services, share trading, insurance, loans based on the data warehousing and data mining technologies. Anytime anywhere banking will become common and will have to upscale. Such upscaling could include banks launching separate internet banking services apart from traditional banking services.
- 4. Product Differentiation :** Apart from traditional banking services, Indian Banks must adopt some product innovation so that they can compete in gamut of competition
- 5. Expansion :** Expansion of branch size in order to increase market share is another opportunity to combat competitors. Therefore Indian nationalised and commercial banks must spread their wings towards global markets as some of them have already done it.

## CONCLUSION

The financial services industry is going through dramatic changes as a consequence of changing customer behavior, increasing expectations, channel proliferation, disruption, innovative use and adoption of new technologies and the digitization of business and society in general. Cost reductions, increasing top-line revenue and mitigating risk remain the key drivers, also in retail banking. 90% of consumers prefer online banking services, regardless of age, income, place of residence or type of bank. However, much of the landscape will change significantly in response to the evolving forces of customer expectations, regulatory requirements, technology, demographics, new competitors and shifting economics. Since retail banking requires mass production techniques, the advent of technology has enabled the banks to design appropriate technology-based delivery channels. Retail banking has also received a thrust from the regulators/policymakers' push for inclusive growth in the wake of the global financial crisis. The Governments across the world view banks as the key component in furthering the cause of financial inclusion. And they need to have a clear strategy to deal with these challenges and address these priorities, including considering partnerships with third parties and applying lessons from other industries. The Retail banks need to do even more to ensure they are well-positioned to succeed in the future.

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