



ISSUES AND OPPORTUNITY OF E-BANKING IN INDIA

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ABSTRACT

Financial sector plays an important role in the economic development of a country. Banking is the lifeline of an economy. A strong and healthy banking system is important requirement for economic growth. The e-banking constitutes an electronic alternative network of payments and benefit of services. The need of creation of electronic alternative channels has been distinguished well in advance by the foreign banking organizations, which relied mainly on the outburst that was observed in the use of internet. The benefits are many, both for the customers and for the banks. The banks that are activated in the Internet are susceptible mainly to the systematic, law part and to the reputational risk and the customers of the electronic banking channel are puzzled concerning to the subject of safety of their transactions and personal data. The aim of this report is, not only to analyze the meaning of electronic banking and to present all the alternative providing banking service networks, but also to focus on the advantages and on the risks that the growth of electronic banking has brought about. E-Banking is a generic term encompassing internet banking, telephone banking, mobile banking etc.

Keywords: E-Banking, ATM, Internet Banking, India.

I. INTRODUCTION

E-banking is the banking of new era. The term Internet Banking or E-Banking Internet both are used as supplement. Making banking products and other services available to wholesale and retail customers, through an electronic distribution channel is called e-banking. In other words E-Banking refers to the banking operations, which is done over World Wide Web. E-banking is the outcome of technological innovations and competition. In fact, banks have been using electronic and telecommunication networks for delivering a wide range of value added products and services. The devices have been telephone, personal computers including Automated Teller Machines (ATM). The delivery channels have been direct dial up connections, private and public networks. To this newer edition of e-banking are being added e.g. Internet banking and mobile banking. The use of ATM's lead to the concept of 'anywhere' and 'anytime' banking. Through the use of ATM cards, one can operate his bank account to withdraw money from any of bank's ATM installed or available at the nearest site. This had broken down the time and space barriers. The new banks are providing some of the services exclusively through ATM's. The growing popularity of personal computers, easy access to internet and world wide web (WWW), has increased the use of internet by banks as a channel for receiving instructions and also delivering their products and services to the customers,.

This is generally referred to as 'Internet banking' or I-banking or Net Banking. This is one of the newer forms e-banking which is gaining popularity. The other popular name for e-banking is on line banking.

A. Indian Scene: internet banking has gained wide acceptance internationally. In India also the things are changing fast. India is on the threshold of a major banking revolution with the



introduction of 'Net-banking'. In year 2002, only a dozen or so banks are providing services at different levels. However, almost double those numbers are ready to make entry.

B. Future Scene in India: The Indian banks lag far behind the international banks in providing online banking. In fact, this is not possible without creating sufficient infrastructure or presence of sufficient number of users. The experience of ICICI Bank Ltd. and HDFC Bank Ltd. shows that the number of transactions carried out on the Net are very limited. No matter where online banking comes from or where it is today, it is most certainly here to stay. As a tool of modern living and as a lifestyle aid, it is absolutely indispensable. The fact is that many services that are now being offered with online banking are almost impossible to avail of in regular banking. This holds even truer for developments that the future of online banking will bring. Judging by its current popularity and rate of implementation, online banking will increase in scope and user base in the future. Individuals and businesses that have refused to adopt it as a commercial tool before now will not really be left with much choice. As things stand now, using conventional methods of business inquiry, confirmation, order-placement and bill payment is retrograde at best. The speed (and reduced manpower) with which the same activities can be done online leaves the traditional methods completely in the shade. The same holds true for normal vs. online business-related banking

CURRENTSTATUS OF E-BANKING IN INDIA- According to report of RBI in jan 2016, there are 196079 ATM and 1337310 point of sale devices in India. To cope with the pressure of growing competition, Indian commercial banks have adopted several initiatives and e-banking is one of them. The competition has been especially tough for the public sector banks, as the newly established private sector and foreign banks are leaders in the adoption of e-banking. Indian banks offer to their customers following e-banking products and services:

- Automated Teller Machines (ATMs)
- Internet Banking
- Mobile Banking
- Phone Banking
- Tele banking
- Electronic Clearing Services
- Electronic Clearing Cards
- Smart Cards
- Door Step Banking
- Electronic Fund Transfer

VI. CHALLENGES IN E-BANKING

- a. **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. According to the IAMAI Report (2006), 43% 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.
- b. **The Trust Factor:** Trust is the biggest hurdle to online banking for most of the customers. Conventional banking is preferred by the customers because of lack of trust on the online security. They have a perception that online transaction is risky due



to which frauds can take place. While using e-banking facilities lot of questions arises in the mind of customers such as: Did transaction go through? Did I push the transfer button once or twice? Trust is among the significant factors which influence the customers' willingness to engage in a transaction with web merchants.

- c. **Customer Awareness:** Awareness among consumers about the e-banking facilities and procedures is still at lower side in Indian scenario. Banks are not able to disseminate proper information about the use, benefits and facility of internet banking. Less awareness of new technologies and their benefits is among one of the most ranked barrier in the development of e-banking.
- d. **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. According to the study consumers' worry about their privacy and feel that bank may invade their privacy by utilizing their information for marketing and other secondary purposes without consent of consumers.
- e. **Strengthening the public support:** In developing countries, in the past, most e-finance initiatives have been the result of joint efforts between the private and public sectors. If the public sector does not have the necessary resources to implement the projects it is important that joint efforts between public and private sectors along with the multilateral agencies like the World Bank, be developed to enable public support for e-finance related initiatives.
- f. **Availability of Personnel services:** In present times, banks are to provide several services like social banking with financial possibilities, selective up gradation, computerization and innovative mechanization, better customer services, effective managerial culture, internal supervision and control, adequate profitability, strong organization culture etc. Therefore, banks must be able to provide complete personnel service to the customers who come with expectations.
- g. **Implementation of global technology:** There is a need to have an adequate level of infrastructure and human capacity building before the developing countries can adopt global technology for their local requirements. In developing countries, many consumers either do not trust or do not access to the necessary infrastructure to be able to process e-payments.
- h. **Non- Performing Assets (NPA):** Nonperforming assets are another challenge to the banking sector. Vehicle loans and unsecured loans increases N.P.A. which terms 50% of banks retail portfolio was also hit due to upward movement in interest rates, restrictions on collection practices and soaring real estate prices. So that every bank have to take care about regular repayment of loans.
- i. **Competition:** The nationalized banks and commercial banks have the competition from foreign and new private sector banks. Competition in banking sector brings various challenges before the banks such as product positioning, innovative ideas and channels, new market trends, cross selling ad at managerial and organizational part this system needs to be manage, assets and contain risk. Banks are restricting their administrative folio by converting manpower into machine power i.e. banks are decreasing manual powers and getting maximum work done through machine power. Skilled and specialized man power is to be utilized and result oriented targeted staff will be appointed.



- j. **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.

VII. OPPORTUNITIES IN E-BANKING-

- a. **Untapped Rural Markets:** 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.
- b. **Multiple Channels:** Banks can offer so many channels to access their banking and other services such as ATM, Local branches, Telephone/mobile banking, video banking etc. to increase the banking business.
- c. **Competitive Advantage:** The benefit of adopting e-banking provides a competitive advantage to the banks over other players. The implementation of e-banking is beneficial for bank in many ways as it reduces cost to banks, improves customer relation, increases the geographical reach of the bank, etc. The benefits of e-banking have become opportunities for the banks to manage their banking business in a better way.
- d. **Increasing Internet Users & Computer Literacy:** To use internet banking it is very important or initial requirement that people should have knowledge about internet technology so that they can easily adopt the internet banking services. The fast increasing internet users in India can be a very big opportunity and banking industry should encash this opportunity to attract more internet users to adopt internet banking services.
- e. **Worthy Customer Service:** Worthy 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.
- f. **Internet Banking:** It is clear that online finance will pickup 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 up scaling could include banks launching separate internet banking services apart from traditional banking services.
- g. **Retail Lending:** Recently banks have adopted customer segmentation which has helped in customizing their product folios well. Thus retail lending has become a focus area particularly in respect of financing of consumer durables, housing, automobiles etc., Retail lending has also helped in risks dispersal and in enhancing the earnings of banks with better recovery rates.

VIII. CONCLUSION :-

With the time, the concept of internet banking has got attention in the Indian context. Most of the banks have already implemented the e-banking facilities, as these facilities are



beneficial to both i.e. banks as well as In years to come, e-banking will not only be acceptable mode of banking but will be preferred mode of banking. consumers. The banks are facing many challenges and many opportunities are available with the banks. Many financial innovations like ATMs, credit cards, RTGS, debit cards, mobile banking etc. have completely changed the face of Indian banking

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