



## **E-Banking**

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### **Abstract**

The usage of e-banking by the enterprises came into existence in mid-90's. e banking came into existence in greater numbers because of low operating costs. First it is in the form of ATM's and phone transactions. Recently it transformed to internet a new channel between customers and banks which benefits both. The main aim of e-banking services is to provide the customers a much faster services with low cost. From the last twenty years, banking sector has chosen a new method of banking based on the progress of information technology. In addition to these customers, transaction and communication abilities are fastened based on information technology.

### **Objectives of the study:**

- To know the concepts of e-banking.
- To study the advantages of E-Banking.
- To study the challenges faced in e-banking.
- To study the various opportunities available in e-banking.

### **Advantages of E-Banking are as follows.**

- It saves time spent in banks
- It provides ways for international banking.
- It provides banking throughout the year 24/7 days from any place have internet access.
- It provides well-organized cash management for internet optimization
- It provides convenience in terms of capital, labor, time all the resources needed to make a transaction.
- Taking advantage of integrated banking services, banks may compete in new markets can get new customers and grow their market share.
- It provides some security and privacy to customers, by using state-of-the-art encryption and security technologies.

### **The different methods of e-banking are”**

- Online banking
- Short message service banking



- Telephone banking

Of all the above procedures online banking plays an important role and maximum used by the account holders. now discussing the above one by one.

#### **Online banking:**

Online banking also called as internet banking, allows the customers to use all the banking services from a computer which has internet access. The customer can perform financial transactions on a secure website operated by the bank. Online banking offers features such as bank statements, loan applications, funds transfer, e-bill payments and account aggregation allows customers to monitor all their accounts in one place.

#### **Telephone Banking:**

Telephone banking is a service provided by the banks which provides customers to perform transactions on phone. All the telephone banking systems uses automated answering system with keypad response or voice recognition capability. To prove their identity customers must provide a numeric or verbal password or answering the questions asked by the call center representative. In telephone banking customer can't withdraws and deposits cash but can do all the other transactions.

#### **SMS Banking:**

SMS banking is a service permitting banks to do select banking services from the user's mobile by the sms messaging. SMS banking services have push and pull messages. Push messages are sent by the banks for alerting customer about new offers, marketing messages, alerts to events happening in customers account such as large amount of withdrawals from ATM or credit card etc.

### **A bank customer can perform non transactional task through online banking by:**

- a. Viewing account balances.
- b. Viewing last transactions.
- c. Downloading bank statement.
- d. Viewing images of cheques paid.
- e. Requesting for the issuance of new cheque book.
- f. Downloading periodic account statements.
- g. Downloading applications for mobile banking, electronic banking etc.

### **E- Banking features**

- a. Purchasing and selling of investments.
- b. Loan applications and transactions, such as repayments of enrolments.
- c. Credit card transactions.
- d. Registering and payments of utilities bills



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## **Present status of e-banking in India**

E-banking has become an integral part of the banking system in India. Before the 90's, the traditional model of banking i.e. branch-based banking was prevalent, but after that non-branch banking services were started. The credit of launching internet banking in India goes to firstly ICICI Bank. After that Citibank and HDFC Bank followed with internet banking services in 1999. The Government of India enacted the IT Act, 2000 with effect from October 17, 2000, which provided legal recognition to electronic transactions and other means of e-commerce.

The Reserve Bank is monitoring and reviewing the legal and other requirements of e-banking on a continuous basis to ensure that e-banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability. According to a report of RBI in Jan. 2016, there are 196079 ATMs and 1337310 points 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 the following e-banking products and services viz. Automated Teller Machines (ATMs), Internet Banking, Mobile Banking, Phone Banking, Tele banking, Electronic Clearing Services, Electronic Clearing Cards, Smart Cards, Door Step Banking, and Electronic Fund Transfer.

## **Challenges in E-banking:**

E-banking is in its emerging stage of development in India. Most of them are basic services only the deregulation of the e-banking industry coupled with the emergence of new banking technology is enabling new competitors to enter the financial services markets quickly and efficiently. However, it needs to be recognized that perception norms and an improvement in the functioning of e-banking services.

- **Security Risk:** The problem related to 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 IMAI Report (2006), 43% of internet users are not using internet banking in India because of security concerns. So it is a big challenge for marketers and makes consumers satisfied regarding their security concerns, which may further increase online banking use.
- **The Trust Factor:** Trust is the biggest hurdle to online banking for most customers. Conventional banking is preferred by the customers because of a lack of trust in 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 the 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.



- **Customer Awareness:** Awareness among consumers about the e-banking facilities and procedures is still on the lower side in the 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 barriers in the development of e-banking.
- **Privacy risk:** The risk of disclosing private information & fear of identity theft is one of the major factors that inhibit consumers while opting for internet banking services. Most consumers believe that using online banking services makes 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 the consent of consumers.

### **Opportunities in E-banking**

Despite various challenges that are prevailing in context with e-banking in India, the following opportunities are motivating the marketers for implementing e-banking:

- **Untapped Rural Markets:** Contributing to 70% of the total population in India is a largely untapped market for the banking sector. In all urban areas banking services entered but only a few big villages have the banks entered. So that the banks must reach in remaining all villages because the majority of Indians still living in rural areas.
- **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.
- **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 banks in many ways as it reduces costs to banks, improves customer relations, 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.
- **Increasing Internet Users & Computer Literacy:** To use internet banking it is a very important or initial requirement that people should have knowledge about internet technology so that they can easily adapt the internet banking services. The fast increasing internet users in India can be a very big opportunity and the banking industry should encash this opportunity to attract more internet users to adopt internet banking services. The table shows evidence of an increasing number of internet users in India.
- **Worthy Customer Service:** Worthy customer services are the best brand ambassador for any bank for growing its business. Every engagement with customers is an opportunity to develop a customer's faith in the bank. While increasing competition customer services have become the backbone for judging the performance of banks.



## **CONCLUSION AND SUGGESTIONS**

Digitalization has become conclusive for the banking sector in India, which plays a major role in providing better services to customers. Internet banking is one of the most significant banking channels that allow consumers to do many transactions, either financial or non-financial through a bank's websites. The various services offered are Internet banking, SMS banking, ATMs, mobile banking, e-cheques, UPI, and debit/credit cards.

In today's world of globalization, e-banking is a significant aspect of the development of the banking sector by solving major issues, challenges faced by e-banking. The Indian banking industry can develop customer loyalty towards the banking sector. This can be done through training and development and by making the banking process easier and familiar to the customers.

The younger generation is beginning to see the convenience and benefits of e-banking. In the years to come, e-banking will not only be an acceptable mode of banking but will be preferred mode of banking in India. Private sector banks represent more of the POS terminal market as compare to public sector banks. The prepaid payment instruments in the country are mostly paid through mobile wallets.