

E-BANKING IN INDIA: CHALLENGES AND OPPORTUNITIES



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Short Profile

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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. Indian banking industry today is observing an IT revolution. The implementation of internet in banking organizations has modernized the banks. Implementing the internet banking approach has benefited the both

i.e. consumers as well as banks. Considering the benefits, the banks all over the globe have implemented the internet banking and banking organizations in India are no exception. The competition among the banks has led to the increasing total banking automation in the Indian banking industry. E-Banking is a generic term encompassing internet banking, telephone banking, mobile banking etc. Through E-Banking the bank wants to introduce the core concept of IT based Enabled Services (ITES). The E-Banking services are executed only upon the customer, and these e-banking services would fully integrate with the core banking solution that is already in usage. The objective of the present paper is to examine and analyze the progress made by Internet Banking in India.

KEYWORDS

E-Banking, Information Technology, Internet Banking, India.

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I. INTRODUCTION

Data Technology has turned into an essential apparatus in today's associations. Banks today work in an exceptionally globalized, changed, privatized and a focused situation. IT has presented new business worldview. It is progressively assuming a critical part in enhancing the administrations in the keeping money industry. Indian managing an account industry has seen a gigantic improvements because of far reaching developments that are occurring in the data innovation. Web Banking alludes to a framework enabling individual clients to perform saving money exercises at off-bank destinations, for example, home, office and different areas by means of web based anchored systems. Web or web based managing an account through customary banks empower clients to play out every single routine exchange, for example, account exchanges, adjust request, charge installments and stop-installment solicitations, and some even offer online advance and Mastercard applications. Web managing an account is an online administration that empowers the banks approved clients to get to their record data. It allows the clients to sign on to the banks site with the assistance of bank's issued distinguishing proof and individual ID number (PIN). The managing an account framework checks the client and gives access to the asked for administrations, the scope of items and administration offered by each put money on the web contrasts broadly in their substance. The saving money industry can solve two problems at once that is with help of innovation. Colossal advancement occurred in the field of innovation which has lessened the world to a worldwide town and it has gotten momentous changes the keeping money industry

II. REVIEW OF LITERATURE

A.J.Joshua, Moli P Koshy(2011), in this study majority of the respondents have computer and internet access and they are also mostly proficient in using them. The users of internet banking, tele banking and mobile banking are in general found to be spending more hours using computers and internet than non-users of these services. The hours of computer usage, the frequency of internet usage and hours of internet browsing were found to be significantly higher among users as compared to non-users of technology enabled banking self-service. It concludes that banks can target those customers whose usage of computers, internet and other technology products are relatively on the higher side.

III. OBJECTIVES OF THE STUDY

- To study the current status of financial innovations in Indian banking sector.
- To study the challenges faced in E-banking.
- To study the opportunities available in E-banking.

IV. E-BANKING

E-managing an account is the term that implies and incorporates the whole circle of innovation activities that have occurred in the keeping money industry. E-saving money is a non specific term

making utilization of electronic stations through phone, cell phones, web and so forth for conveyance of managing an account administrations and items. The idea and extent of e-saving money is still in the transitional stage. E-saving money has broken the hindrances of branch saving money.

V. CURRENT STATUS OF E-BANKING IN INDIA

Internet Banking has become an integral part of banking system in India. The concept of e-banking is of fairly recent origin in India. Till the early 90 's traditional model of banking i.e. branch based banking was prevalent, but after that non-branch banking services were started.

• To adapt to the weight of developing rivalry, Indian business banks have received a few activities and e-keeping money is one of them. The opposition has been particularly intense for people in general division banks, as the recently settled private segment and outside banks are pioneers in the reception of e-managing an account. Indian banks offer to their clients following e-managing an account items and administrations:

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

To maintain in the developing rivalry, business banks in India have embraced a few activities to enhance saving money benefits and to increase upper hand. The few of the activities taken by Indian banks for web managing an account are specified underneath:

- Bank of India recently launched its card-less cash withdrawal service. This facility helps customers to send money to anyone using Internet banking or by using ATM, with the help of receiver 's mobile number.
- The Business Transformation Program is being implemented by the Bank of Baroda which will provide its customer convenience banking on a 24 X 7 basis in India and abroad with integrated delivery channels like Internet, Phone, Mobile, and others.
- A number of Indian banks have implemented Online Tax Accounting System (OLTAS) for collection of taxes on behalf of Central Board of Direct Taxes, Government of India.
- ICICI bank launched 24x7 electronic branches, which is a one-stop shop for all banking transactions. It offers facilities such as cheque deposit machine and an electronic kiosk through which customers can be accessed internet banking services. ICICI Bank has also introduced E-Locker for its customers. It is a virtual locker, which can be accessed through ICICI internet banking which facilitates customer to store soft copy of their important documents safely such as legal documents, agreements, policies and various important certificates. ICICI bank is offering various gifts to customers for start to use internet

banking for the first time.

- The banks are making their presence on social media like Facebook and Twitter for targeting huge customer base as well as potential customers; there will be round-the-clock tweets and comments on the bank 's products and services. After launching accounts on Facebook and Youtube, SBI took one more step on the social media by launching a twitter handle.

VI. CHALLENGES IN E-BANKING

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 IMAI 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.

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.

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.

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.

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.

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.

Implementation of global technology: In developing countries, many consumers either do not trust or do not access to the necessary infrastructure to be able to process e-payments.

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.

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.

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-

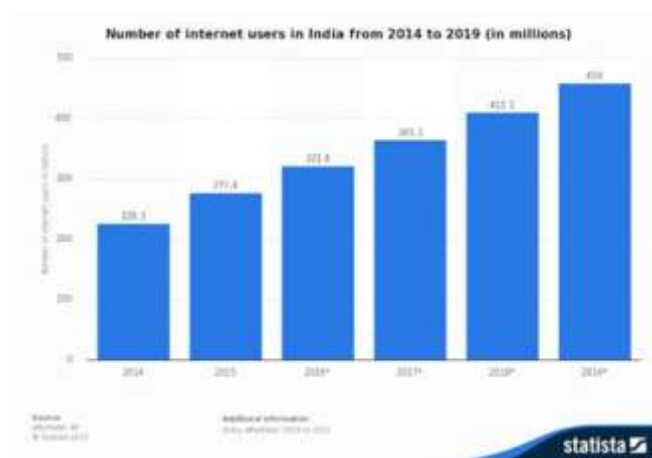
Untapped Rural Markets: Contributing to 70% of the total population in India is a largely untapped market for banking sector. In all urban areas banking services entered but only few big villages have the banks entered. So that the banks must reach in remaining all villages because majority of Indian still living in rural areas.

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 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.

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. Table shows evidence of 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 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.

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.

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 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. Thus, there is a paradigm shift from the seller's market to buyer's market in the industry and finally it affected at the bankers level to change their approach from "conventional banking to convenience banking" and "mass banking to class banking". The shift has also increased the degree of accessibility of a common man to bank for his variety of needs and requirements. In years to come, e-banking will not only be acceptable mode of banking but will be preferred mode of banking.

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