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## E-Banking In India: 2016 And Beyond

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### **Abstract:**

*The future of E banking in India looks not only exciting but also transformative. Even though it's somewhat difficult in current operating environment, both nationalized and private sector banks remain the largest financial sector intermediary in India. Technology is enabling more effective, lower cost delivery of corporate financial services, facilitating rapid and seamless payments, enhancing the retail customer experience, and increasingly, allowing increased access to financial services among the hitherto excluded. The concept and scope of E- banking is still evolving. The study intends to throw light on the need, benefits and cha of E-banking. The research paper also revealed the current status of financial innovations in Indian banking sector.*

**Keywords :** *E banking services,Technology, RTGS, Debit and Credit cards, Transformative*

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## **I. INTRODUCTION**

The landscape of India's financial sector is changing. Anytime, anywhere banking, using differentiated channels and technology, will enable a multi-fold increase of reach in rural and remote areas. E banking is the need of the hour. E banking in India has to confront a lot of challenges. Government has been introducing regulatory measures from time to time to ensure reliability and security. But introduction of technology is not enough. It has to be accompanied by skilled and competent manpower[4] Finland was the first country in the world to have taken a lead in E-banking. In India, it was ICICI bank which initiated E-banking as early as 1996 under the brand name Infinity.

Revolution in the information technology has made the Indianeconomy steady inroads into the banking institutions and has brought about a significant changein many aspects in the form of computerization of transactions and new delivery channels suchas Internet banking, Mobile Banking, Telephone Banking, Automated Teller Machine (ATM),Smart Cards, Debit cards, Credit Cards, E-Cheque, Electronic Transfer Fund(ETF), ElectronicClearing services (ECS), Electronic Data Interchange (EDI), etc.

## **II. Concept and Origin of E Banking**

With the help of Information Technology, the world is shrinking in such a way that time and distance has now become non-entities. IT has changed every spectrum of

human life including the provision of banking services. There is increase in choice of customers regarding banking products and providers. E-banking has facilitated bank customers by providing anytime and anywhere banking service.

E-banking is a term for the process by which a customer may perform banking transactions electronically without visiting a brick-and-mortar institution.

E-banking means the use of technology for accessing banking services electronically for transferring funds, paying bills, viewing accounts or obtaining information and advices. It refers to the electronic services that are made available to customers through phone, mobile, personal computer, television and intern

### Services Offered By E Banking

A number of services are being offered through e banking. It is quite difficult to measure the extent of such services, but an effort has been made by classifying these services into two categories. Firstly, to judge the impact of e-banking through different websites, services being offered by the banks have been categorized into informational and transactional services. Secondly, the extent of these services has been measured through ATM services offered by the banks.[8]

- **ATM (Automatic Teller Machine)** : also known as an automated banking machine (ATM) that enables the clients of a financial institution to perform financial transactions without the need for a cashier human clerk or bank teller. Automated teller machines work 24 hours a day, and are located in many different places, especially in the most populated places, which makes them easy to find. Using an ATM requires an ATM card and a personal PIN allowing customers secure 24hour access to banking services such as deposits, withdrawals, transfers, inquiries about account balances, requests for cheque books, account statements, direct deposits, etc[8]
- **Mobile banking** : Mobile banking is a system which allows customers of a bank to conduct a number of financial transactions through a mobile device such as a mobile phone or personal digital assistant. The scope of offered services includes facilities to conduct bank and stock market transactions, to administer accounts and to access customized information. The following services can be availed through the Mobile banking application:
  - Funds transfer (within and outside the bank).
  - Immediate Payment Services.
  - Enquiry services (Balance enquiry/ Mini statement).
  - Demat Account Services.
  - Requests (Cheque book request/Generate OTP).
  - Bill Pay (Utility bills, credit cards, Insurance premium), Donations, Subscriptions etc....
- **NEFT**: National Electronic Fund Transfer (NEFT), introduced in October 2005, is a nation-wide electronic payment system that uses a secure mode of transferring funds from one bank branch to another bank branch. There is no limit either minimum or maximum on the amount of funds that could be transferred using

NEFT. The fund transfer takes place in hourly batches - there are eleven settlements from 9 am to 7 pm on week days and five settlements from 9 am to 1 pm on Saturdays[5]

- **Credit Card** :Credit card is a mechanism by which the card holder can make purchases without immediate cash payments. It enables the card holders to avail credit facilities from the issuing banks for a specified period of time without any security.
- **Debit Card** : A debit card can be used to withdraw cash from a bank like an ATM card and it can also be used at stores to pay for goods and services in place of a cheque. Debit card allows the holder to spend only what is in his account.
- **RTGS**:A real time settlement means that payment transactions are settled as soon as they are processed. The system effects final settlement continuously, rather than periodically, at specified times, provided that the sending bank has sufficient covering balance or credit. Gross settlement means that the settlement of funds occurs on a transaction by transaction basis without netting debits against credits. The entries are made in the books of RBI and an entry once made is final and irrecoverable. Under RTGS, the minimum amount of fund transfer is Rs. 2 lakhs and there is no limit to the maximum amount. RTGS transactions are inter bank as well as between customers through bank accounts.
- **ECS** : Electronic Clearing Service (ECS) is a mode of electronic fund transfer from one bank account to another bank account through the clearing houses of Reserve Bank of India.

### III. Benefits of E banking Services

Internet Banking is giving competitive benefit to banks by providing them an unlimited distribution Network. The future holds wide vistas for banks in terms of what technology can do. Now Banks with the help of technology are able to provide services electronically and these services are lowering transaction costs and adding value to the customer-banker relationship in long run. Internet enables banks to offer low cost, high value added financial services. Finally the banks are finding that a comprehensive online banking strategy is essential for success in the increasingly competitive financial services market.[3]

The benefits of E-banking are analyzed from the viewpoint of customers and banking organizations.

#### 1. Benefits to Customers:

- **Cost effective mechanism**: It Reduced costs in accessing and using the banking services for the customer.
- **24\*7 Availability**: Increased comfort and timesaving transactions can be made 24 hours a day anytime, anywhere, without requiring the physical interaction with the bank. They don't need to wait for timing of bank branches.
- **Ease and Convenience**: All the banking transactions can be performed from the comfort of the home or office or from the place a customer wants to. It also enables

consumers to keep an eye on their transactions or account activities from their home, office or elsewhere so they can feel satisfied and convenient. E banking also provides non transactional facilities like updating accounts, ordering check books online, inquiring about interest rates of various financial products etc.

- Speed - The response of the medium is very fast; therefore customers can actually wait till the last minute before concluding a fund transfer.[1]
- Save time and money: Now customers don't have to go to branch to avail banking services it consist various advantages such as: it will save time, save fuel, do away from traffic, save the environment in term of reducing the use of motor vehicles and reduce waiting time.[2]

## 2. Benefits to Bankers:

- Cost effective mechanism: Easy availability and accessibility of self service distribution channels help bank administration to minimize the expenses of branch network and staff overheads Compared to traditional banking system, internet banking is cost-effective as it reduces paperwork needed for the bank transactions.
- Increased Profitability: Adoption of internet helps the banks to increase their profitability. With the help of Internet banking Banks are performing better in terms of operating efficiency ratios and profitability as compared to banks, which are not using internet facilities. The banks can provide banking services to the consumers using internet banking at a far less cost as compared to the traditional banking system.
- Improve Customer relationship: - Priorities of banks now changed as they maintain the proper relationship with their customers. Using the internet banking technology and facilities banks can offer easy access to a wide range of products and services to the customer. Managing a good relationship with the customers may leads to increase customer retention, customer loyalty and improve cross-selling. Internet banking facilities have become a valuable tool for improving customer satisfaction and increasing cross-selling opportunities forbanks.
- Eco-friendly image: Another significant advantage of internet banking is that it is eco-friendly is nature. Internet banking has reduced the paper usage and pollution as people do not have to travel physically and also does not add carbon emissions. Implementing the e-banking facilities in the banks also show the concern of the bank towards the environment, this further, will help the banks to create an eco-friendly image.

## IV. Challenges for E-banking

In India, the Banking Industry is undergoing from rapid changes, which gets reflected in a number of underlying developments. In Spite of enormous benefits of E banking, it is very necessary for bank to know about the risk and challenges associated with it. The problem in e-banking is that the Internet is not a regulated technology and it is readily accessible to millions of people, and there will always be people who can

manipulate it to make illicit gains. (Dr. Dhiraj Sharma, 2016) The Challenges are grouped under the types of services which face them [7]

- **ATM Services**

This is the most popular E- Banking service used by the bank customer in India. ICICI Private Bank has taken initiative and have worked hard to popularize it. However ATM services have challenges like,

1. **Security Risk:** A large group of customers refuses to opt for e-banking facilities due to uncertainty and security concerns. In Cities ATMs are generally located in crowded areas and also it is easier to get security guards it is not so in case of rural areas. Since the machines are loaded with cash they are easy targets without proper protection. In our country there is lack of connectivity to the state police system unlike other nations in the world makes it very difficult.
2. **Poor Infrastructure:** Poor infrastructure like Lack of proper place, electric connection and satellite (VSAT) / broadband network connectivity has restrained this service from expanding to rural and semiurban areas in a big way.
3. **Operating environment:** As India is a multi linguistic and multicultural nation, therefore Literacy levels are not so high. It becomes difficult to have instructions displayed in multiple languages. But the technology has come out with a solution to this. However technology can not help illiterate people in this and also ATMs can't ensure uniform operating levels from all people resulting in high wear & tear.[7]

- **Mobile/ TeleBanking**

Now a days Mobile /tele banking playing significant role in banking sector as almost every individual have mobile device. This fact has boost the bankers to offer more and more services on telephone rather than in Branch banking. The services like Balance enquiry , request for cheque book, Change password ,request for Demand Draft ,etc. However this type of banking has some problems.

1. **Illiteracy:** Awareness about processes is required for the use of mobile phones in banking ,customer should also know about the rules and regulations. However most of the mobile users in the lower class and middle class do not understand them and find them difficult to operate.
2. **Change in Technology :** For the use of mobile banking change in technology serves as big constraint. As most of the people buy instruments within their budgets, that again is problem on the part of services providers in terms of features being offered in these mobile phone.
3. **Security :** It is a main issue in E banking ,because of two factors Lack of availability of a Reliable Network by the Mobile service provider and Information leak due to easy accessibility of a mobile handset. Apart from these there is always a danger of Apps on a smart phone, which regularly access information stored in the mobile, stealing some important data.[7]

- **Debit/Credit Card:**

Debit /Credit cards service of banks has seen the highest growth in two decades in India. The plastic money thus made inroads into Indian economy especially luring the all classes of customer. Following are the challenges faced by this service.

1. **PIN Security:** All that a card requires to draw money is a four digit PIN (Personal Identification Number). For an electronic system this simplifies work to a greater extent. However human mind with its limitations especially with creative and illiterate people alike makes it difficult to remember this number. It is a major challenge to overcome.
  2. **Signature/ Swipe Security:** These plastic cards are swiped while shopping to do the fund transfer. Even though a slip is generated where a customer needs to sign, there may be a case where the signature is tallied by the Bank while settling claims nor has a shop been able to tally signatures as most customers don't sign at the back of their card. The frauds in case of these plastic cards are increasing at a higher rate. This makes card swiping unpopular with customers as Disputes are very difficult to settle.
  3. **Service Charges:** Most of the cards in the world are issued either by 'VISA or MASTER Card'. These Service charges vary from bank to bank.
- **Electronic fund Transfer**
    1. **Limit on Fund Transfers:** As RBI has limited the fund transfer on Internet Banking due to security issues, walking into a branch every time a bigger fund Transfer needs to be done is cumbersome and time consuming.
    2. **ECS Cancellation:** ECS has changed the way of businesses of many service providers like telephones, Electricity Board, water supply boards, bank loan repayments etc., but there is a problem in cancellation of the same. Given the fact that most of these service providers in electricity Board & water supply Board are under control of the government Authorities, one can imagine the difficulties involved.
  - **Internet Banking**

It is perhaps the biggest innovation in Banking in the last two decades. The key contributors to this remain Internet Technology and Automation of Banking system. This revolution however in India is yet to take place in a big way.

    1. **The Connectivity & Bandwidth of Internet Service:** While internet banking remains the fastest and most convenient the nation facing problem of connectivity on the same. Most of Areas of our country are remain unconnected. This is an issue beyond the capacity of banks.  
Even in the areas where connectivity is adequate, bandwidth again a problem.
    3. **Security:** The problem related to the security has become one of the major concerns for banks in the world. In India RBI has issued guidelines in this regard, but still the issue continues to be of concern to both Banks & their Customers.
  - **Other Challenges**

While the above ones are the challenges faced by various services being offered under the EBanking,there are couple of others which are common to any given bank.

1. **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.
2. **Training the Employees:**Private sector banks have found itmuch easier to do recruitment of young computer literate employees,the larger public sector banks lagged behind in this.
3. **Customer Education:**Private Bankshas started offering E-banking services to theircustomer from day one. However the public sector banks found it verydifficult to influence their customers on the benefits of this initiative. While educatingcustomers formally was a formidable option banks resorted to incentives like a freedebit cum ATM card, Free Net Banking facility, Monthly Statement of accounts on E- Mail,No charges on ECS etc to switch customers to these alternate channels of banking.

#### V. Conclusion

E banking today has become an important weapon of Indian banking, having its spread beyondNationalboundaries thereby creating a global banking scenario. As seen it is beneficial to both thecustomers as well as the banks. The IndianGovernment is taking a number of regulatory measures to ensure safety, security and reliability. Thepoint to be remembered is that technology alone is not enough. It has to be accompanied by Intellectual and trained manpower which will improve the performance and make Indian banking morecompetitive.E-banking is redefining business relationships andthe most successful banks will be those that can truly strengthentheir relationship with their customers. Without any doubt, thescope of E-banking provides new growth perspectivesand Internet business is a catalyst for new technologies and newbusiness processes in India. With rapid advances in telecommunicationsystems and digital technology, E-banking has become a double edge weapon for banks to remain profitable.

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