



“E-BANKING IN INDIA: CHALLENGES & OPPORTUNITIES”

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ABSTRACT :

Financial system plays an important role in the economic development of the country because of the advent of information technology there is a change in the banking sector which has paved way for the introduction of retail electronic payment system & has progressed in the recent years in various countries & India has left no way behind. The implementation of internet in banking organizations has modernized the banks. Implementing the internet banking approach has benefited the both i.e. customer as well as bank.



The bank wants to introduce the core concept of IT based enabled services the E-Banking services are executed only upon the customer & these, E-Banking services would fully integrate with the core banking salutation that is already in usage. The objective of the present paper is to examine & analyze the progress made by E-Banking in India.

KEYWORDS : E-Banking, recent trends, challenges, opportunities.

INTRODUCTION

Banks today operate in a highly globalized, liberalized, & a competitive environment IT has introduced new business paradigm. It is increasingly playing a significant role in improving the services in the banking industry.

E-Banking also known as online banking or virtual banking or internet banking is a system which enables banking transactions. Like transfer of funds payment of loans & EMIs, deposit & withdrawal of cash virtually with the help of internet. It is one among the extended features which banking institutions provide, in addition to traditional banking. E-Banking is the most used feature by the citizens of India after the effect of demonetization. This feature is assumed to be one of the most flexible, adaptable & secure ways of transacting among the users / costumers to bank. However, it depends on the trust that an individual has on the bank he/ she is operating with.

There are different types or sectors under E-Banking services. The major services offered are internet banking, SMS Banking, ATMs, mobile banking, e-chaques, debit cards, credit cards, CTS, RTGS, NEFT.

OBJECTIVES:

- ❖ To study the current status of financial innovations in Indian banking sectors.
- ❖ To identify various E-Banking services/products adopted by India.
- ❖ To analyze the challenges & risk factor involved in E-Banking.
- ❖ To study the opportunity to increase E-Banking awareness.

RESEARCH METHODOLOGY:

To study is based on the secondary collected from different journals, magazines, sites, research articles websites & published data from various issues of RBI & different public/private sector banks. Various studies on this subject available have also been referred in this study.

E-BANKING

E-Banking is each and every aspect of bank u could do without having to visiting a branch enables you access to bank account & to carry out online banking services, 24 hours a day, & 7 days a week.

E-BANKING SERVICES IN INDIA

❖ E-Cheques-Electronic Payment Services

Now a day we are hearing about E-Governance, E-Mail, E-Commerce E-Tail etc. in the same manner, a new technology is being developed in us for introduced of E-Cheque which will eventually replace the conventional paper cheque. India, as harbinger to the introduction of E-Cheque, the negotiable instruments act has already been amended to include; truncated cheque & E-Cheque instruments.

❖ NACH-National automated clearing house

NACH is a service offered by NPCL to banks which aims at facilitating interbank high volume, low value debit/credit transactions, which are repetitive and electronic in nature. The system leverage the core banking solutions (CBS) of participating banks for centralized posting of inward debit/credit transactions and is run by NPCL.

❖ IMPS-Immediate Payment Service

IMPS Offers an instant 24X7 interbank electronic fund transfer service through mobile phones. IMPS is an emphatic too, to transfer money instantly within banks across India through mobile, internet & ATM. It is offered by national payment corporation of India (NPCL), India's sole retail payment organization.

❖ UPI-Unified Payment Interface

UPI is a system that powers multiple bank accounts into a single mobile application ,merging several banking features, seamiest fund routing & merchant payments into one hood. It also cater to the "peer to peer" collect request which can be scheduled and paid as per requirement and convenience.

❖ RTGS- Real Times Gross Settlement

RTGS system, introduced in India since March 2004 is a system through which electronics instruments can be given by banks to transfer funds from their accounts to the account of another bank. The RTGS system is maintained & operated by the RBI & provides a means of efficient & faster funds transfer among banks facilitating their financial operations. As the name suggest, funds transfer among bank facilitating their financial basis. Therefore, money can reach the beneficiary instantaneously & the beneficiary's bank has the responsibility to credit the beneficiary's account within two hours.

❖ NEFT- National Electronic Fund Transfer

NEFT is a system where by anyone. Who wants to make payment to another person /company etc. can approach his bank & make payment or give instruction/authorization to transfer funds directly from his own account to the bank account of the receiver/beneficiary. Complete details such as the receiver's name, bank account number, account type (saving/ current account), bank name, city, branch name etc. should be furnished to the bank at the time of requesting for such transfers so that the amount reaches the beneficiaries account correctly & faster. RBI is the service provider of NEFT.

❖ ECS- Electronic Clearing Service

ECS is a retail payment system that can be used to make bulk payments/receipts of a similar nature especially where each individual payment is of a repetitive nature and of relatively smaller amount. This facility is meant for companies and government departments to make/receive large volumes of payment rather than for funds transfers by individuals.

❖ **EDI-Electronic data interchange**

EDI is the electronic exchange of business of business documents the purchase order, invoices, shipping notices, receiving advices etc. in a standard, computer processed and universally accepted format between trading partners. EDI can also be used to transmit financial information and payments in electronic form.

❖ **ATM- Automatic Teller Machine**

ATM is the most popular devise in India, which enables the customers to withdraw their money 24 hours a 7 days a week. It is a device that allows customer who has an ATM card to perform routine banking transactions without interacting with a human teller. In addition to cash withdrawal, ATMs can be used for payment of utility bills, funds transfer between accounts, deposit of cheque and cash into accounts, balance enquiry.

❖ **Credit Card**

A Credit Card is a card issued by a financial company which enables the cardholder to borrow funds. The funds may be used as payment for goods and services, with a condition that the cardholder will pay back the original, borrowd amount plus any additional agreed-upon charges. The issuer pre-sets borrowing limits which have a basis on the individuals credit rating.

❖ **Point of Sale Terminal**

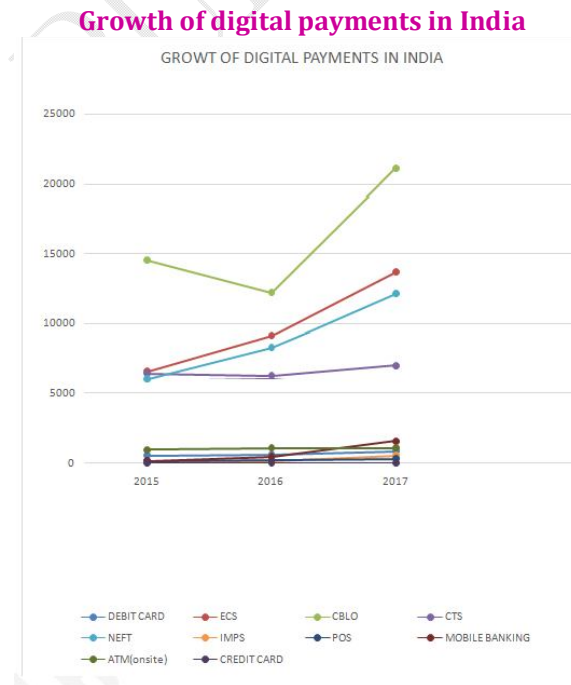
Point of sale terminal is a computer terminal that is linked online to the computerized customer information files in a bank and magnetically encoded plastic transaction card that identifies the customer to the computer. During a transaction, the customer's account is debited and the retailer's account is credited by the computer for the amount of purchase.

❖ **Tele banking**

Tele banking facilities the customer to do entire non cash related banking on telephone. Under this devise automatic voice recorder is used for simpler quarries and transactions. From completed quarries and transactions, manned phone terminals are used.

❖ **Mobile Banking**

As smartphone become even more widely used, it's no surprise that mobile-banking apps are increasingly popular. "For many people banking is the norm, especially if you skew younger, which is the future of banking."



❖ CTS- Cheque truncation system

CTS is called as Image based clearing system, in India. It is a project of the RBI commenced in 2010, for faster clearing of cheques. CTS is based on cheque truncation or online image based cheque images and magnetic ink character recognition (MICR) data are captured at the collecting bank branch and transmitted electronically.

❖ New Modes of Digital Payments

In addition to UPI which was introduced recently, several other modes have been Introduced by NPCI. They are listed below and their details are given in the Glossary.

- ❖ **Bharat Bill Payment System (BBPS)**
- ❖ **Bharat Interface for Money (BHIM)**
- ❖ **Bharat Quick Response Code Solution (Bharat QR)**

CHALLENGES IN E-BANKING:

As the major objective of our study is to focus on the challenges that e-banking is facing in India at present, we shall now look in to the major challenges of e-banking in India.

- ❖ **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 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, which may further increase the online banking use.
- ❖ **Privacy risk:** the risk of disclosing private information & fear of identity theft is one 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 by utilizing their information for marketing and other secondary purposes without consent of consumers.
- ❖ **Customer awareness:** awareness among consumers about the e-banking facilities and procedures is at lower side in Indian scenario. Banks are not able to disseminate proper information about the benefits and facility of internet banking. Less awareness of new technologies and their benefits is among one of most ranked barrier in the development of e-banking.
- ❖ **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 customer's willingness to engage in a transaction with web merchants.
- ❖ **Low broadband internet penetration:** India has one of the lowest broadband connectivity penetration rates in Asia as compared to Japan, Taiwan, Korea and Singapore. While the bigger cities such as Mumbai, Delhi, Chennai, and Bangalore have relatively better broadband penetration rates, PC users in smaller cities and towns still use dial-up options to connect to the internet.
- ❖ **Difficult to first timers:** for the first time user, navigating through a website of an internet bank may be hard and may take some time. Opening an account could also take time as some sites ask for numerous personal details including a photo identification which can inconvenience the potential customer. Because of this complexity, they may be discouraged to use this internet banking service.
- ❖ **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
- ❖ **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.
- ❖ **Non-Performing Assets (NPA):** Nonperforming assets are another challenges to the banking sector. Vehicle loans and unsecured loans increases NPA which term 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 bring 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, and contain risk. Banks are restricting their administrative folio by converting manpower into machine power i.e. banks are decreasing powers and getting maximum work done through machine power.
- ❖ **Reputation:** Schechter assets that problems such as governance and security have the potential to make a bank look bad to clients. Additionally, the more a bank relies on internet banking, the more the bank may gain an impersonal feel. Both of these problems may discourage clients from choosing a bank that relies on internet banking, regardless of how convenient internet banking may be.
- ❖ **Impersonal:** transacting on the internet can be very impersonal. In other words, you only do business with the use of a computer. No individual to receive and check your money or correct some wrong information that you might have written on a certain form. And so for people comfortable dealing with real people who provide personalized services and money.

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 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.
- ❖ **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 encase this opportunity to attract more internet users to adopt internet banking services.
- ❖ **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.
- ❖ **Retail lending:** Recently banks have adopted customer segmentation which has helped in customizing their product folios well. Thus retail lending has also helped in risks dispersal and in enhancing the earning of banks with better record rates.
- ❖ **Competitive advantages:** the benefits of adopting e-banking provides a competitive advantages 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.
- ❖ **Initiatives taken by government agencies for financial literacy:** Financial literacy and education play a crucial role in financial inclusion, and inclusive growth. A study reported that there is significant impact of financial literacy on use of internet banking. If customers are not financially educated they will simply avoid using new online services and not change their traditional way of banking, thus banks will not be able to convert users into their new online services and not change their traditional way of banking thus banks will not be convert users into their new online banking strategies. Various government institutions like RBI, SEBI IRDA and various other market players have taken a number of initiatives on financial education.

MEASURES TO BE TAKEN FOR SUFFER E-BANKING:

E-Banking allows us to transact in a fast & convenient way. Unlike traditional banking to make us wait in an unending queue, internet banking functions are just a few clicks away. However, this facility needs safety & secured way of transacting as the risk of phishing is high. The following are some of the measures to ensure secure banking:-

- ❖ **Password:** we need to change our password at regular intervals in order to keep our accounts safe. One of the best practices is to have a password as a combination of upper case and lower case letters, numbers and special characters.
- ❖ **Usage of public computers:** logging in to bank account from cyber cafes or libraries is not recommended by banking experts. Chances of passwords being traced or seen by others are usually high in such places. One should make sure to clear the cache and browsing history, and delete all the temporary files from the computer. Also, never allow the browser to remember ID and password; this leads to hacking.
- ❖ **Confidentiality:** no bank will ask for any confidential information via phone or email. We have to beware of apparent phone call from the bank or an email requesting such details; do not give out login information. Sharing login credentials with friends and family is not advisable either.
- ❖ **Regular check is must:** check your account after making any transaction online. Verify whether the right amount has been deducted from your account. If you see any discrepancies in the amount, inform the bank immediately.
- ❖ **Anti-virus software:** In order to protect your computer from new viruses, ensure that you always use licensed anti-virus software. Pirated versions of anti-virus software may be available for free, but they may fail to protect your computer from new viruses prevalent in the online world. In addition, you will get notifications for updates in the software periodically. Make sure that you keep your anti-virus updated, so that your confidential information is always protected.

CONCLUSION:

For the research, it is important to recommend that banks should concentrate more on educating their customers who don't use internet banking have very negative perception about the security issues. There is a need felt for the banks to promote online banking services and proper promotional activities are not taking place. Seminars should be conducted to educated people about the benefits of e-banking and to clear their negative perception about it. Print media and newspaper can also recommended that to maintain customers regularity for visiting the website, information must be furnished in simple text and font. It is very important that customers should easily understand the content on the website. There is a need for effective complaint management system can increase customer's loyalty and trust on internet banking their queries should be solved as soon as possible. Customer who don't use e-banking system than on e-banking. They have a perception that transferring money through e-banking involves a lot risk because lack trust on internet security. Another problem is that they have to face the problem of slow web interface which is not satisfactory from customer point of view. Sometimes network fails in the middle of their transaction got completed or not. It is also concluded that customers lack knowledge about e-banking.

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