

## A Study on Emerging Opportunities & Challenges Towards E-Banking System in India



### Management

**KEYWORDS :** E- Banking, Information Technology, Electronic Fund Transfer, Mobile banking, Online transaction

**Ms. Megha Arunkumar Jain**

Asst. Professor

**Dr. G. H Barhate**

Associate Professor

### ABSTRACT

*E Banking in India is still in the early stages of growth and development. Competition and changes in technology have changed the face of Banking. The changes that have taken place impose on banks tough standards of competition and compliance. Electronic banking is the use of computer to retrieve and process banking data and to initiate transactions directly with a bank via a telecommunication network. In other words-banking is the wave of future. E Banking is likely to bring a host opportunities as well as poses new challenges for authorities in regulating and supervising the financial system and in designing and implementing the macroeconomic policy*

*This paper aims to present A Study on Emerging E-Banking opportunities & challenges in India.*

### Introduction

The Banking sector in India has experienced a rapid transformation. Technology in Indian banking has evolved substantially from the days of back office automation to today's online, centralized and integrated solutions. We cannot think of ATM, Internet, mobile and phone banking or call centre services without the help of technology. The rigorous use of IT in the Indian banking sector has started immediately after the recommendations of the Committee on Financial System (Narasimham Committee, 1991) were implemented in 1991. The recommendations of the committee include, among others, free entry of private sector/ foreign banks. The private and foreign banks brought new technologies and rendered technology based world class quality services to customers through ATMs, credit cards and internet banking, which Public sector banks, were not even dreamed about. By offering world class quality services, these banks started snatching customers from Public Sector banks and they felt the heat and realized that if they do not follow the path of these banks, they would be thrown out from the banking scene within no time.

### OBJECTIVES OF THE STUDY

- The primary objective of the research paper is to get the full acquaintance of the various internet banking services provided by banks
- To discuss the Opportunities and challenges for E-banking in India.

### THEORETICAL BACKGROUND

Banks are the most significant players in the Indian financial market because they are the biggest purveyors of credit and attract most of the savings from the population. Banking plays very important role in the economic development of all the nations of the world because a developed banking system holds the key as well as serves as a barometer of economic health of a country.

### Online banking services provided by banks are as follows –

- a) Core Banking Solution(CBS)
  - b) Automated Teller Machine (ATM)
  - c) Electronic Fund Transfer (EFT)
  - d) Real Time Gross Settlement System (RTGS)
  - e) National Electronic Fund Transfer(NEFT)
  - f) Mobile Banking (M-Banking)
  - g) Magnetic Ink Character Recognition (MICR)
  - h) Electronic Clearing Services (ECS)
  - i) Plastic Cards (Credit and Debit Card)
- E-Banking: E-banking allows customers of a financial institution to conduct financial transactions on a secure web-

site operated by the institution, which can be a retail or virtual bank, credit union or building society. Electronic or online banking is the latest delivery channel to be presented by the retail banks and there is large customer acceptance rate which means delivery of banking services to customers using electronic technology either at their office or home. The E-Banking offers enormous opportunities in every sphere of business as the competitive advantage, member/client retention increased revenues and reduced costs.

- Core Banking – Core Banking is a general term used to describe services provided by a group of networked bank branches.
- ATM (Automated Teller Machine) – ATM is a Computerized machine that permits bank customers to gain access to their Accounts with Magnetically encoded plastic card & a Code number. It enables the customer to perform several banking operations without the help of Teller such as to Withdraw Cash, Make Deposits, Pay Bills, Obtain Bank Statements & Effective Cash Transfer.
- Plastic Cards (Debit & Credit Cards) – Plastic Cards have gained greater acceptance & Momentum as a Medium Financial Transaction. Credit Card provides Cash Free & anywhere and anytime Shopping to the Customers but with fixed limit prescribed by Banks. Debit Card, unlike Postpaid Credit Card, is a Pre-paid Card with some Stored value.
- Electronic Fund Transfer (EFT) – EFT is another E-Banking Product facilitating Transfer of Funds from any Branch of a Bank to any other Branch of any Bank in Shorter Time. Before EFT's , inter city transfer of Money for the Customer was made through Demand Drafts, Mail Transfers & Telegraphic Transfers.
- Mobile Banking – Mobile Banking is an extension of application such as Phone Banking & Online Banking. It can be defined as a channel where by Customers interact with a Bank through a Mobile Device, e.g. Cell Phone.
- Real Time Gross Settlement System (RTGS) – It provides for an electronic based Settlement of inter Bank & Customer based transactions, with Intraday Collateralized liquidity support from RBI to the participants of the system.

### Opportunities for E-Banking System in India:

Information technology revolution has converted the world into a global village. The thinking, structure, work-culture and functioning styles are changing on hour basis. IT has created tremendous job opportunities for the people around the globe as well made the organizations efficient and productive. There has been an IT revolution in the world in the last 40 years. This revolution has altered the way we work and think. It has touched every enterprise, sector, society and government where banking is the most triggered area. IT has created tremendous job op-

portunities for the people around the globe, and has made the organizations efficient and productive. In most of the developed countries like USA, it has contributed to half of the productive growth and a third of the economic growth over the last five years. In India most of the organizations have already deployed IT to transform their processes.

The opportunities of e banking can be analyzed from the viewpoint of customers, banking organizations and economy in general. Recent developments have introduced a plethora of opportunities for development in banking industry. IT as an enabler has broken all bounds of cost, distance and time.

#### **Opportunities for Customers:**

General banking customers have been significantly affected by the advent of e-banking revolution.

- a) A banking customer's account is extremely accessible with an online account.
- b) Through internet banking customer can operate his account remotely from his office or home. The need for going to bank in person for every single banking activity is dispensed with.
- c) Internet banking lends an added advantage towards payment of utility bills. It eliminates the need to stand in long queues for the purpose of bill payment.
- d) All services that are usually available from the local bank can be found on a single website.
- e) Sharp growth in credit card/debit card usage can be majorly attributed to e-banking. A customer can shop globally without any need for carrying paper currency with him.
- f) By the medium of e-banking (including internet banking), banks are available 24x7 and are just a mouse click away.

#### **Opportunities for Banking Sector:**

In addition to banking customers, growth of e-banking infrastructure in general and online banking in particular has proved to be extremely beneficial to banks and overall bank organizations on account of following:

- a) The concept of online banking has immensely helped the banks in putting a tab over their specific overheads and operating cost.
- b) The rise of internet banking has made the banks more competitive. It resulted in opening of better prospects and avenues for banking operations.
- c) The online banking has ensured transparency of transactions and facilitated towards removing the documentation requirements to a major extent, since majority of records under an e-banking set up are maintained electronically.
- d) The reach and delivery capabilities of internet-enabled banks, proves to be significantly better than the network of physical bank branches.

#### **Major Challenges towards E-Banking System in India:**

E-banking in India is in its earliest stage of development. Most of them are basic services only the deregulation of 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 functioning of e-bank.

#### **Customer Acceptance:**

Proper understanding of the customer is the primary aspect of the E-banking. It is known that computer literacy in India is still very low and is barrier in fast acceptance of internet. Mindset of the Indian customer needs to be changed by giving awareness about technical terms in e-banking. Even though it adopts in the fast changing technical scenario, the obsolesce of technology fast. Hence there is always shortage of skilled personal and fear of tech-

nology puts the customer away from electric delivery channels.

#### **Cost Of Technology:**

In connection with Startup cost e-banking is huge at initial level for acquiring personal computer and other equipments; oneself to do online banking is still not with reach of the middle class & upper middle class customers. The cost of maintenance of all equipments like, modem, routers, bridges and network management systems. The cost of sophisticated hardware and software and skill level of employees needed.

In e-banking there is need of skilled employees or knowledgeable professionals to route the banking transactions through the internet. Banks can employ software application developers, database administrators and training to existing bank staff on the changing systems and procedures who can handle e-banking applications under proper supervision.

#### **Security:**

In a paper less transactions, many problems of security are involved. A secrecy threat as circumstensive decision to cause the economic hardship to data, destruction of network resources disclosure, modification of data or fraud, denial in services and distortion of information. Providing appropriate security of using encryption techniques, implementation of firewalls and virus protection software etc.

#### **Legal Issues:**

In today's bank world, legal frame work for recognizing the validity of banking transactions. Conducted through the NET is still being put in place? Information technology act provides security & legal frame work for e-commerce transactions. Information technology act or RBI suggested that criterion of Digital Signature Certification Board for authentication of electric records and communication with digital signatures.

#### **Restricted Business:**

Not all transactions can be carried electronically; many deposits and some withdrawals require the use of physical services. Some banks have automated to their customers (front end) but still largely depend upon manual process (back end). It result, most of clientele or customers were restricted by lack and awareness and due to technical problems.

#### **Transparency In Offering Services:**

Banks will strive to adopt best practices in corporate governance and Corporate Social Responsibility (CSR) this will enhance image and can help them to enhance their confidence of international investors. Banks much towards better corporate governance standards and adoption of uniform accounting standards and disclosure requirements

#### **Adopt Proper Organization Structure:**

Banks may required to adopt flatter organization structure for judicious blending of needs for greater delegation of power, decentralization, customer centric business models, quickly reaction of customer needs, learn continuously from customers, provide customer access, whatever and however they want to transact and interact especially for catering younger IT survey population.

#### **CONCLUSION**

The growth of information technologies in the world has been phenomenal. Thanks to these technologies, banks are being able to reach their customers anywhere at any time. Compared to banks abroad, Indian banks offering online services still have a long way to go. For online banking to reach a critical mass, there has to be sufficient number of users and the sufficient infrastructure in place.

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