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E BANKING IN INDIA CHALLENGES AND OPPORTUNITIES

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Abstract: Banks have traditionally been in the forefront of harnessing technology to improve their products, services and efficiency. They have, over a long time, been using electronic and telecommunication networks for delivering a wide range of value added products and services. In India, the Reserve Bank of India (RBI) is the apex banking institution that regulates the banking system in the country. E-banking is a safe, fast, easy and efficient electronic service that enables people access to bank account and to carry out online banking services, uninterruptedly. The system can save time by carrying out banking transactions at any place and at any time using internet access. It must be noted, however, that while e-banking provides many benefits to customers and banks, it also aggravates traditional banking risks. This paper makes an attempt to study the challenges and opportunities, various services given by E-banking. Compared to developed countries, developing countries face many impediments that affect the successful implementation of e-banking initiatives.

Index Terms - E banking, technology, internet, services

1.1 INTRODUCTION:

Banks have traditionally been in the forefront of harnessing technology to improve their products, services and efficiency. They have, over a long time, been using electronic and telecommunication networks for delivering a wide range of value added products and services. The delivery channels include direct dial – up connections, private networks, public networks etc and the devices include telephone, Personal Computers including the Automated Teller Machines, etc. With the popularity of PCs, easy access to Internet and World Wide Web (WWW), Internet is increasingly used by banks as a channel for receiving instructions and delivering their products and services to their customers. This form of banking is generally referred to as Internet Banking, although the range of products and services offered by different banks vary widely both in their content and sophistication.

1.2 OBJECTIVES OF THE STUDY:

1. To understand the development of e-banking in India.
2. To understand the types of e- banking services
3. To understand the challenges and opportunities of e-banking in India.

1.3 RESEARCH METHODOLOGY:

The present study is descriptive in nature and uses secondary data collected from RBI bulletin, RBI reports and, Report on trend and progress of banking in India, journals, newspapers etc.

1.4 MEANING OF E-BANKING:

The term electronic banking means an electronic fund transfer by using the electronic means from one account to another account rather than by cheque or cash. Electronic banking also provides some advantages over the traditional banking methods. E-banking can also be defined as delivery of banking services to a customer at his office or home using electronic technology. The term electronic banking is a general term. It includes internet banking, telephone banking and mobile banking. The concept of e-banking is evolving day by day. Electronic banking services allow a bank customer and stakeholders to interact and transact with the bank seamlessly through a variety of channels such as internet, wireless devices.

1.5 HISTORY OF E-BANKING:

The concept of e-banking has evolved with the development of the world wide web. Some person while working on the banking databases came up with the idea of online banking transaction in 1980s. In India e-banking is a new concept. The traditional banking system in India runs through the branch banking system. In the year of 1990 the non branch banking system started. The new concept of e-banking system has gained popularity over the old traditional manual branch banking system. The credit of launching the new technology in banking system goes to the private bank like ICICI bank. Citibank and HDFC bank who introduced the internet banking in 1999.

1.6 E-BANKING SERVICES:

E-banking involves information technology based banking. Under this technology enabled system, the banking services are delivered through Computer-Controlled operations. This system does not involve direct interface with the customers. .

1.6.1 Non-Financial E-Banking Services:

Some of the e-banking services offered by various private and national banks in India for non-financial transactions are:

- View personal account balance or balance sheets for both savings and current accounts
- View the history of transactions done by the customer with a huge historical archive limits
- Submitting cheque book requests
- Downloading Bank Statements, as and when required
- View loan status or EMI Summary, if any
- Mutual Funds, Demat accounts, and insurance policy details can also be monitored online

The backend decision-making of any bank like approvals, rejections, etc. for various requests can also be queued in these banking processes that are mapped virtually and help the account holders by skipping a personal visit to the bank branch for such services. This is a win/win for the customers and banks, as it saves time, efforts, energy, and other resources for both parties.

1.6.2 Financial E-Banking Services:

Various financial transactions offered by banks through e-banking:

- Transfer money to the other private and national bank account holders in just few clicks
- Purchase goods and services and use Business to Customer payment modes like credit cards, debit cards, net banking, various payment gateways, and wallets, etc. providing a range of payment options
- Making business to business transactions using NEFT, RTGS, and IMPS options, etc. depending on the size of the business transaction amount
- Pay mobile bills, utility bills, make credit card payments and buy other products/services,

1.7 E - BANKING METHODS:

As part of promoting cashless transactions and converting India into less-cash society, various modes of digital payments are available. These modes are Banking Cards (Debit / Credit / Cash / Travel / Others), Mobile Wallets, National Electronic Fund Transfer (NEFT), Real Time Gross Settlement (RTGS), Electronic Clearing System (ECS), Immediate Payment Service (IMPS), Mobile Banking, Tele-Banking, Demat Banking

1.8 ADVANTAGES AND DISADVANTAGES OF E-BANKING:

The electronic banking has a various advantages than the traditional banking system which is simple and convenient for the users. The advantages are:

1. Electronic banking is easy operable.
2. One can easily pay the bills and transfer money without any hassle.
3. The electronic banking is available at anytime and anywhere.
4. The E-banking is fast and efficient.
5. Customers can track their transactions and account balances.
6. Bank can endorse their schemes and services to the people

1.9 DISADVANTAGES OF E-BANKING SYSTEM ARE:

1. People who don't know the how to use the internet, it can be difficult to run them.
2. For e-banking internet connectivity is a must to access the banking services.
3. Potential threat of hacking of accounts and information.
4. Server breakdowns.
5. Network Accessibility.

1.10 CHALLENGES AND RISKS INVOLVED IN E-BANKING:

1. **Operational risk:** Operational risk, also referred to as transactional risk is the most common form of risk associated with e-banking. It takes the form of inaccurate processing of transactions, non enforceability of contracts, compromises in data integrity, data privacy and confidentiality, unauthorized access / intrusion to bank's systems and transactions etc. Such risks can arise out of weaknesses in design, implementation and monitoring of banks' information system. Besides inadequacies in technology, human factors like negligence by customers and employees, fraudulent activity of employees and crackers / hackers etc. can become potential source of operational risk. Often there is thin line of difference between operational risk and security risk and both terminologies are used interchangeably.
2. **Security risk:** Internet is a public network of computers which facilitates flow of data / information and to which there is unrestricted access. Banks using this medium for financial transactions must, therefore, have proper technology and systems in place to build a secured environment for such transactions.
3. **System architecture and design:** Appropriate system architecture and control is an important factor in managing various kinds of operational and security risks. Banks face the risk of wrong choice of technology, improper system design and inadequate control processes.
4. **Reputational risk:** Reputational risk is the risk of getting significant negative public opinion, which may result in a critical loss of funding or customers. Such risks arise from actions which cause major loss of the public confidence in the banks' ability to perform critical functions or impair bank-customer relationship. It may be due to banks' own action or due to third party action.
5. **Legal risk:** Legal risk arises from violation of, or non-conformance with laws, rules, regulations, or prescribed practices, or when the legal rights and obligations of parties to a transaction are not well established.
6. **Money laundering risk:** As Internet banking transactions are conducted remotely banks may find it difficult to apply traditional method for detecting and preventing undesirable criminal activities. Application of money laundering rules may also be inappropriate for some forms of electronic payments. Thus banks expose themselves to the money laundering risk. This may result in legal sanctions for non-compliance with 'know your customer' laws.
7. **Cross border risks:** Internet banking is based on technology that, by its very nature, is designed to extend the geographic reach of banks and customers. Such market expansion can extend beyond national borders. This causes various risks.
8. **Strategic Risk:** This risk is associated with the introduction of a new product or service. Degree of this risk depends upon how well the institution has addressed the various issues related to development of a business plan, availability of sufficient resources to support this plan, credibility of the vendor (if outsourced) and level of the technology used in comparison to the available technology etc.
9. **Other risks:** Traditional banking risks such as credit risk, liquidity risk, interest rate risk and market risk are also present in Internet banking. These risks get intensified due to the very nature of Internet banking on account of use of electronic channels as well as absence of geographical limits. However, their practical consequences may be of a different magnitude for banks and supervisors than operational, reputational and legal risks. This may be particularly true for banks that engage in a variety of banking activities, as compared to banks or bank subsidiaries that specialize in Internet banking.

1.11 OPPORTUNITIES OF E-BANKING:

Several 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.

1. **Bill Payment Services:** E-banking can facilitate payment of various bills, credit cards and insurance premium as each bank has tie-ups with various utility companies, service providers and insurance companies, across the country.
2. **Increasing Internet Users & Computer Literacy:** To use internet banking services people should know and own internet services so that they can easily avail internet banking services. Rapidly increasing internet users in India can be a very big opportunity and the banking industry can encash this opportunity to attract more internet users to adopt internet banking services.
3. **Creating high-value digital services to customers:** Customer behaviors and expectations have changed rapidly over the years. The trend towards digitization is visible across the board, with the banking industry at the forefront. Customers can access banking services anytime and anywhere, using the channel of their choice. Customers can perform basic banking operations by sitting at office or home through smart phone, or computers. Thus E-banking facilitates home banking.

4. **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 the bank in many ways as it reduces the cost to banks, improves customer relation, increases the geographical reach of the bank, etc.. The benefit of e-banking has become opportunities for banks to manage their banking business in a better way.
5. **Competence:** Banks can become more efficient by providing internet access for the customers. E-banking provides the bank with paper less system. E-banking creates strong basic infrastructure for the banks to embark upon many cash management products and to venture in the new fields like e-commerce, EDI, etc.

1.12 CONCLUSION:

In India, E-banking is in a growing stage. No doubt Indian banks are making sincere efforts for the adoption of advanced technology and installation of e-delivery channels but still rural masses are wary of the concept. Banks are making sincere efforts to popularize the e-banking services and products. Younger generation is beginning feels 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 also be a preferred mode of banking.

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