A STUDY ON OPPORTUNITIES AND CHALLENGES TOWARDS E-BANKING SYSTEM IN INDIA

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ABSTRACT
Banking is the lifeline of an economy. The present and future of any economy depends upon the success and development of banking. The objective can’t be achieved with the traditional banking as now is the age of technology. Indian banking industry, today, is in the midst of an IT (Information Technology) revolution. 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. In other words, it is a process of banking services and products through electronic channels such as telephone, internet, cell phone etc. The concept and scope of E-banking is still evolving. The present paper has focused on the need and benefits of E-banking. It has also revealed the current status of financial innovations in Indian Banking sector. It also highlighted the challenges faced in E-banking and the opportunities available with the banks in E-banking.

Keywords: E-Banking; Reserve of Bank of India; NEFT; Challenges; Opportunities

INTRODUCTION
Initially, the Indian banking system was domestically oriented at the time of nationalization in 1969. National policy objectives where the guiding force and banks were primarily involved in mobilizing domestic savings, lending funds to specific sectors of the economy and raising resources for financing public deficits. Technology in Indian banking has evolved substantially from the days of back office automation to today’s online, centralized and integrated solutions. One cannot think of ATM, Internet, mobile and phone banking or call centre services without the help of technology. However, the irony is that most of those products have more of technology and less of banking. Let us look how banking has changed as a business over the last one decade. The rigorous use of IT in the banking sector 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 PSU banks, hitherto, were not even dreamed about. By offering world class quality services, these banks started snatching customers from PSU (Public Sector Undertaking) 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. The PSU banks also followed suit. Thus the use of technology in banking has resulted in availability of multiple delivery channels like ATMs, telebanking, internet banking, mobile banking, anywhere and anytime banking etc. Technology adoption in banks has shifted banking more of a capital intensive, fixed cost industry from a labour intensive, variable cost industry.
E-Banking: The Concept

Delivery of banking services to customers at their office or home with the help of electronic technology is termed as e-banking. Daniel (1999) defines electronic banking as the delivery of bank's information and services by banks to customers via different delivery platforms that can be used with different terminal devices such as a personal computer and a mobile phone with browser or desktop software, telephone or digital television. E-banking is a brew of services that embody Internet banking, Mobile banking, ATM kiosks, Fund Transfer System, Real Time Gross Settlement (payment & allotment system), Credit/Debit/Smart/Kisan Cards, Cash government services, as well as Data warehousing, Operational interpretation for MIS as well as Customer Relationship Management (E tools 4 all). E-based banking is also known as Cyber banking, home banking, and virtual banking and includes various banking activities that can be conducted from anywhere (Dheenadhyayalan 2010). A perusal of the concept of e-banking as described in the literature reveals that the term e-banking, is an upper construct that encompasses an array of banking services delivered through electronic media, be it through phone, PC, TV or internet. Thus the term E-banking includes RTGS, NEFT, ECS, Credit cards and debit cards, Cheque truncation, ATM, Tele banking, Internet banking and Mobile banking.

OBJECTIVES OF THE STUDY

The primary objective of the research paper is

1. To get the full acquaintance of the various internet banking services provided by banks
2. To discuss the Opportunities and challenges for E-banking in India.

What is Electronic Banking

LITERATURE REVIEW

E-commerce literature has studied the phenomenon of e-banking from different perspectives. Some research has analysed the adoption and growth of e-banking, whilst others describe the challenges and benefits to be gained from e-banking services as far as the organization is concerned.

For the past two decades, the banking sector has chosen a new service channel based on the progress of information technology -the Internet-to respond to the changes in customer preferences and needs, increased competition from non-banks, changes in demographic and social trends, and government deregulations of the financial service sector. The adoption of new IT applications is influenced largely by factors related to overall organizational attitudes and culture as well technical and infrastructural elements.
Aladwani conducted research about the drivers and challenges of online banking; the results of the study show that top bank managers are in support of a lack of internet specialists and changes in Internet technology being the principle issues relevant to online banking development whereas IT managers mentioned time and budget constraints and also immature Internet technology. The study also indicates that according to general and IT managers’ technical obstacles are the most important challenge for the development of e-banking. Customers however mentioned internet security, online banking regulations and customers’ privacy as the most important future challenges of e-banking in Kuwait.

Satya argued that, in the context of Internet banking, two kinds of price were accounted for; the normal costs associated with Internet activities, and the bank costs and charges which had a negative effect on the adoption of electronic banking everywhere. Rasoulian and Safari [14] carried out research concerning reasons as to why there was a lack of e-banking achievement; the result of the first chapter of their study showed the importance of Internet use, frameworks and encouraging policies to impress beneficiaries to use electronic banking. The second part introduced cultural elements as the most important challenge followed on by financial elements (the cost of the Internet and commissions) as the second influencing factor. The significance of technical elements is fading away according to their study due to improvements in the banking system. In addition their study highlighted other parameters such as management obstacles as also playing an important role in electronic banking.

A study carried out by Daniel concluded that the price of electronic services, increased competition due to new entrants, and trust can be future challenges for banking systems considering e-banking. Additional research was conducted by Khorshid and Ghaneh and in their article on ranking the challenges of e-banking identified for managers of banks; customers’ privacy, security, and customers’ trust as issues arising. For customers; reputation of bank, regulations and laws, and easy accessibility were seen as the main challenges for the development of e-Banking.

E-banking challenges and opportunities in Greece were researched by Angelakopoulos and Mihiotis. The main findings demonstrate that banks expand to e-banking services in order to remain competitive, to keep track with technological developments and to benefit from the lower cost of e-banking transactions. The major problems they face are the low response rate from customers and the implementation of security and data protection mechanisms. The relatively low Internet usage, the non-familiarity with technologically advanced devices and problems regarding security and privacy are the main factors that have a negative influence on the adoption of e-banking services by customers in Greece.

**Online Banking Services Provided By Banks**

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 –
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 (CB) – Core Banking is a general term used to describe services provided by a group of networked bank branches.

Automated Teller Machine (ATM) – 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.

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, intercity transfer of Money for the Customer was made through Demand Drafts, Mail Transfers & Telegraphic Transfers.

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.

National Electronic Fund Transfer (NEFT) -- National Electronic Funds Transfer (NEFT) is a nation-wide payment system facilitating one-to-one funds transfer. Under this Scheme, individuals, firms and corporate can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the Scheme.

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.

Electronic Clearing Service (ECS) -- ECS is an electronics mode of payment/receipt for transactions that are repetitive and periodic in nature. ECS is used by institutions for making bulk payment or bulk collection of amounts. Essentially, ECS facilitates bulk transfer of money from one bank account to many bank accounts or vice versa.

MICR code -- MICR is an acronym for Magnetic Ink Character Recognition. The MICR Code is a numeric code that uniquely identifies a bank-branch participating in the ECS Credit scheme. This is a 9 digit code to identify the location of the bank branch; the first 3 characters represent the city, the next 3 the bank and the last 3 the branch. The MICR Code allotted to a bank branch is printed on the MICR band of cheques issued by bank branches.

Plastic Cards (Debit & Credit Cards) – Plastic Cards have gained greater acceptance & Momentum as a Medium Financial transaction. Credit Card provides Cash Free & any-where and anytime shopping to the Customers but with fixed limit prescribed by Banks. Debit Card, unlike Post-paid Credit Card, is a Pre-paid Card with some stored value.

Opportunities Related To E Banking

Despite of various challenges that are prevailing in context with e-banking in India, the following opportunities are motivating the marketers for implementing e-banking:

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.

**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 banking strategies. Various government institutions like RBI, SEBI, IRDA and various other market players have taken a number of initiatives on financial education. They have prepared a school curriculum along with various topics including internet banking, banking product and services, net banking to educate the school students, college students, working executives, middle income group, home makers, retired personnel, self-help groups etc.

**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.

**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. Mind-set of the Indian customer needs to be changed by giving awareness about technical terms in e-banking. Even though it adopts the fast changing technical scenario, the obsolescence of technology fasts. Hence there is always shortage of skilled personal and fear of technology puts the customer away from electric delivery channels.

**Cost of Technology**

In connection with Start-up cost e-banking is huge at initial level for acquiring personal computer and other equipment’s; oneself to do online banking is still not with reach of the middle class & upper middle class customers. In e-banking there is need of skilled employees or knowledge-able 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 circumstance s 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 results, 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 inter-national investors.

**Adopt Proper Organization Structure**

Banks may require to adopt flatter organization structure for judicious blending of needs for greater delegation of power, decentralization, customer centric business models, quickly re-action 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**

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. But the adoption of e-banking by the consumers is still at the early stage due to various challenges. The challenges are acting as hurdle in the adoption of e-banking facilities. Considering the challenges and risk related to e-banking, the Government of India along with various government agencies is making an effort to make e-banking more safe, secure and reliable.

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 infra-structure in place.

**REFERENCES**