

## GROWTH OF E-BANKING: CHALLENGES AND OPPORTUNITIES IN INDIA

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### *Abstract*

*E-Banking plays an important role in the current banking functions in India. E- Banking system is very safe and secured, compare to traditional banking system. E- Banking ensure quality banking operations to traditional banking. E- Banking is a service which is available anyone and everyone who is bank account holder.it provides the customers to easily access the website using their user name and password, and carry on with the transaction even if the bank is closed. The objective of the paper is to examine growth of E-Banking, E- Banking challenges and opportunities in India. The paper also highlights the E- Banking products, services and challenges faced by Indian banks adopting the new technology.*

**Key Words:** *Growth of E-Banking, Benefits, Challenges, Opportunities.*

### **Introduction**

E- Banking is also called internet banking, online banking and modern banking. Banking in India has been through a long journey. Customers expect new and effective techniques and services. E- Banking provides enormous benefits to customers like, online accessibility of bank account, online fund transfer facility, online bill paying facility etc. now all banks have started with the concept of multi channels, like ATMs, credit and debit cards, mobile banking and internet banking, etc. the main challenges that E-Banking faced is the security difference, lack of knowledge of end user about internet banking, sometimes failure of bank transaction, user interface, etc.

### **Review of Literature**

Trivedi& Patel (2013) analysed the problems faced by customers while using e-banking facilities in India. It observed that most of the customers know about the e-

banking services offered by their bank. The study found that there is a significant difference amongst different problems identified while using e-banking services. It also found that some problems affect more and some problems affect less in use of banking services. It concluded that all the reasons are not equally responsible for not using e-banking services.

Haq& Khan (2013) analysed the challenges and opportunities in the Indian Banking sector. The study showed that only 28 per cent banking clients were using internet banking after evaluating the population characteristics. It found that there was no significant relationship in between age and use of cyber banking. It also depicted that there is no relation in between gender and the adoption of internet banking. It observed that qualification in terms of education and income of the respondents were playing the role in the

acceptance of online banking. The study suggested that it is the need of time that financial literacy of the users should be increased through various programs which should be run by banks to increase the awareness of internet banking.

VijayakumarRajarithnam and charndra Kumar Mangalam(2013), has indicate that users were influenced by factors such as quick direct access, ease of use, anytime anywhere banking, status symbol, safety and security. The influence of the factors varied from the type of users. Consumers have different levels of competency in internet banking usage. The higher the consumers felt about their competency in handling internet banking, higher was their frequency in usage of internet banking. Moderate and novice of internet banking users had relatively lesser levels of usage satisfaction.

#### Objectives

- To identify the various e- banking services and products adopted by India

- To study the challenges faced in E-Banking
- To study the opportunities available in E-Banking
- To find the benefits of E- Banking

#### Methodology

This study is descriptive in nature. Secondary data collection techniques was implemented. The data used in this study has been collected from different websites, articles, and journals.

#### E-Banking

ICICI was the first bank to initiate the internet banking revolution in India as early as 1997 under the brand name 'Infinity'. ICICI bank kicked off online banking way back in 1996. But even for the internet as a whole, 1996 to 1998 marked the adoption phase, while usage increased only in 1999 due to lower ISP online charges, increased PC penetration and a tech – friendly atmosphere. The provision of banking services through electronical channels and the customer can access the data without any time and geographical limitation.

#### Traditional Banking Vs E-Banking

Difference	Traditional banking	E- banking
Physical presence	Banking institutions exist physically for offering services to the customers.	E- Banking do not have physical presence as service are provide online.
Customer service	In traditional bank, the employees and clerical staff of the bank can attend only few customers at a time.	In e- banking, the customers to not have to stand in queues to carry out certain bank transaction.
Cost	Physical presence implies a lot of operating and fixed cost.	Such cost are eliminated as a bank do not have physical presence.
Time	It consumes a lot of time as customers have to visit banks personally.	It does not consume time as customers do not have to visit banks personally.
24*7 facility	People have visit banks only during the working time.	E- Banking is available at any time, any place and it provides 24 hours access.
Security threats	Traditional bank does not encounter E-security threats.	Security is one of the problem faced by customers in accessing account through internet.
Expensive	Customers have to spent money for visiting banks	It is relatively cost effective as customers do not have to spent money for visiting banks.

#### Challenges of E-Banking

India is the IT and Tech services outsourcing hotspot of the world it is surprising that Internet banking has not really taken off. Despite the advent of a very tech-savvy and vast consumer class in recent years, a mix of industry issues and unique challenges continue to thwart the expansion of net banking in India. Technology challenges, IT practices, certain cultural issues, industry

lethargy, and workplace constraints have affected widespread acceptance of Internet 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 into the major disadvantage of e-banking in India.

#### 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. Slow connectivity speeds often dampen the online banking experience for many customers eager to use such services.

#### **Banks Ambivalent Commitment Levels**

Internet banking did take off in India at the turn of the millennium but soon faltered due to lack of takers. In the middle of this decade, multinational and domestic private banks started offering net banking services as a competitive differentiator. Only recently state-owned and public sector banks have started doing likewise. However, banks' ambivalent commitment levels and their reluctance to allocate huge budgets for net banking branding initiatives, as well as a lack of industry advocacy efforts, have resulted in poor acceptance levels of Internet banking by customers.

#### **Customers' Preference for Traditional Branches**

There are thousands of highly active traditional bank branches in India's crowded cities and major towns. Office workers take longer lunch breaks to finish banking activities and transactions at these branches rather than conduct them online. Most customers prefer the personal touch and customized service offered by staff in brick-and-mortar bank branches. Many Indians are also averse to calling call centres and banks' customer contact lines to address issues related to online bank accounts.

#### **Fear of Online Threats/Scams**

Ubiquitous and prevalent online threats about hackers, identity theft, stolen passwords, viruses, worms and spy ware tend to make customers wary just like in any other country. Conservative India bank customers used to years of saving in an erstwhile mixed-socialist economy are always fearful of losing hard-earned savings in online scans. These customers are also not sure about the efficacy of banks' websites and their commitment to allocate funds for reliable encryption mechanisms and robust back-end technologies and systems.

#### **Impersonal**

Transacting on the internet can be very impersonal. In other words, you only do

business with the use of 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 using paper and money, internet banking is not ideal.

#### **Difficult for first timers**

For a 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. Tutorials and live customer support may be provided, though, to help the client in his or her needed tasks so it's best to take the time to know the virtual environment.

#### **Security fraud**

Many peoples shy away from internet banking because of the security threat. They can't help but worry about this aspect what with news on fraudulent bank transaction that pop up every now and then. However, this should not be a problem as banks that provide internet banking services prioritize security above anything else. Since they value their customers, they always use the most advanced security technology in protecting their websites.

#### **Regulations and legalities**

Internet bank make it possible for banks and their customers to do business from anywhere in the world. This greatly increases the banks potential client base. Nevertheless, according to Schechter of all business, the global approach to banking that internet banking permit makes it extremely difficult for regulatory authorities to enforce finance law.

#### **Reputations**

Schechter asserts that problems such as governance and security have the potential to make a bank look bad to clients. Additionally, the more a banks 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.

#### **Opportunities of 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

#### **Multi-channel**

Banks can offer so many channels to access their banking and other services such as ATM, mobile banking, video banking etc., to increase the banking business.

#### **Internet banking**

It is clear that online finance will pick up there will be increasing convergence in terms of product offering bank services, share trading, insurance, loan, based on the data warehousing and datamining technologies. Anytime anywhere banking will become common and will have to upscale, such up scaling could include banks launching separately internet banking services apart from traditional banking services.

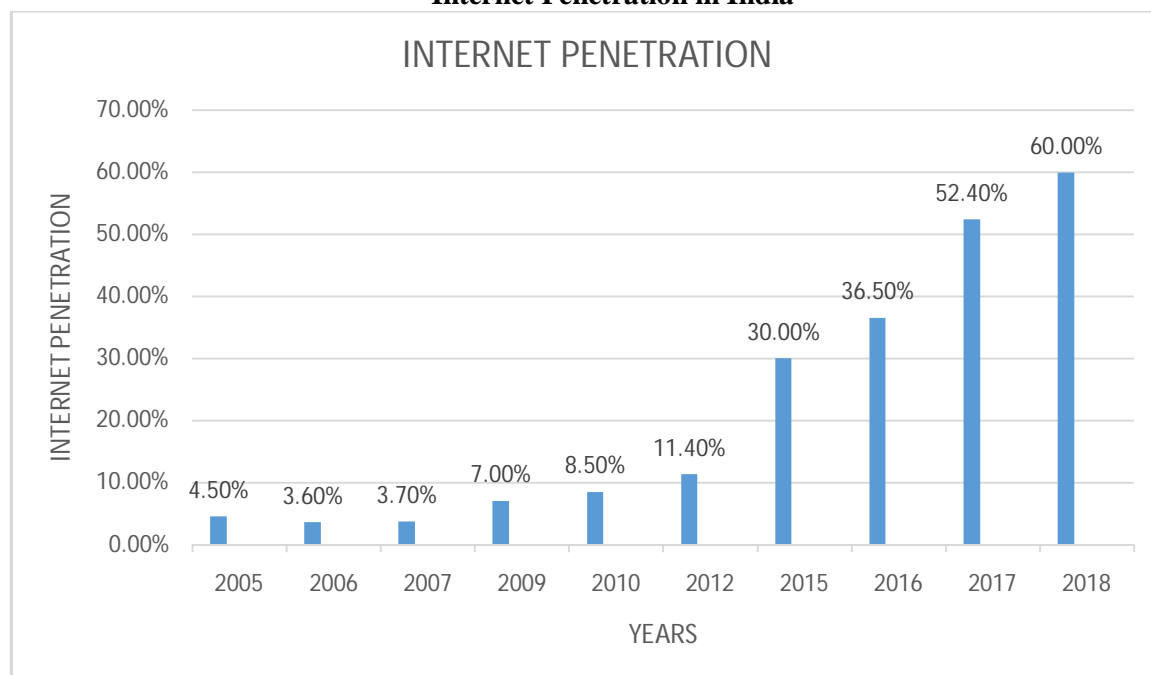
#### **Retailing lending**

Recently banks have adopted customer segmentation which has helped in customizing their product folios well. Thus retail lending has become a focus area particularly in respect of financing of customer durables, housing, automobiles etc., retail lending has also helped in risks dispersal and enhancing the earning of banking with better recovery rates.

#### **Complete advantage**

The benefit of adopting e-banking

#### **Internet Penetration in India**



#### **Conclusion**

E- Banking service must be convenient, uncomplicated, quick access, easy

provides competitive advantages to the banks over other players. The implementation of e-banking is beneficial for bank in many ways as it reduce cost to bank, improves customer relation increase the geographical reach oh the bank etc., the benefits of e-banking have become opportunities for the bank 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 report 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 marker players have taken number of initiative on financial education. They have prepared a school curriculum along with various topic included internet banking, banking products and services, net banking to educate school students, college students, working executives, middle income group, home makers, retired personnel, self-help groups etc.

available and user friendly. Most of the bank providing E- Banking facilities, which are beneficial to both i.e. banks and the customers.

Though there are many challenges and hurdles in the smooth implementation of E- Banking system in India but at the same time E-banking is having a bright future. E-banks must try to expand as soon as possible. Because most of the cases customers uses E-Banking facility to pay bill, shopping etc., the young generation has already adapted to this change and perceive this changing banking system more as a convenience mode than a challenge.

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