

E-Banking: The Indian Scenario

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Abstract – E-banking is the new age banking. Gone are the days when banking was confined to only brick and mortar. The prodigious advancement in technology had brought a colossal shift in banking operations. You are no longer required to visit bank, banking is at your doorstep, on your table or even in your pocket accessible 24X7. Plastic money is handier than paper money. Banking itself has come a long way from 'nice to have to need to have'. Banks today are highly globalised, liberalized and privatized. Banking sector is the backbone of the country's economic growth, and yes India is no exception to it. Indian banking sector is observing an IT revolution. Indian banks needs to pursue a world class internet banking capability. Banking today has shifted from product centric to customer centric. This E-banking approach has benefited both: customers and banks. The Reserve Bank of India in its vision 2018 statement has set the objective to actively promote electronic payments aiming towards 'less cash' society. The intent of this paper is to analyze the ongoing scenario of E-banking and its different channels and studying various challenges and its future. The study is secondary based and analytical in nature.

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INTRODUCTION

Electronic banking or e-banking is the expression that delineate all transactions that take place among companies or individuals and their banking institutions. IT has become inevitable in banking in order to survive in present scenario. It is increasingly playing a notable role in improving the service in the banking industry. This has led to digitization. Online banking enables the customer to perform all routine transactions such as balance enquiry, fund transfer, cheque book request, stop payment request and many more. Basically it is the realisation of 'anywhere, anytime' banking dream. A customer need not match his/her time with the bank timings to go there for every task. Online banking was first started in 1981 in New-york, when four major city's bank-Citibank, Chase Manhattan, Chemical and Manufacturer Hanover offered home banking service using the videotext system. However, consumers were very hesitant in adopting new service offered by their banks at first but with the change in time customers are heading towards digitization. As in today fast pace life e-banking is rescuing a lot of time for people. E-banking services are progressively turning as need to have rather than nice to have. Thousands of customers are dealt at once in an cost effective manner. E-banking helps the customer to keep anytime access to his/her account

Along with traditional channels branches the electronic channels that branches offers are

- **Net banking:** In India, it was ICICI bank, who introduced online banking in 1998. Citibank

and HDFC bank followed in 1999. India is one of the fastest adopter of internet in world over the last decade. According to KPMG - FICCI M&E report 2014-15, there were about 189.6 million internet users in India in 2013 and this leads to a huge scope to develop internet banking system in India. Any user with a personal computer and a browser can get connected to his bank 's website to perform any of the virtual banking functions. In internet banking system the bank has a centralised database that is web enabled. All the services that the bank has permitted on the internet are displayed in menu. Any service can be selected and further interactions is dictated by the nature of service.

- **ATM:** Automated Teller Machine is an unattended electronic machine in a public area, connected to data system and related equipments and activated by a bank customer for cash withdrawal or other banking services. The customer identifies himself/herself by inserting plastic card with a magnetic stripe that contain his or her account number. Then card holder enters the passcode which is often known as PIN(Personal Identification Number). On successful entry the customer may perform the transaction.
- **Tele banking:** A customer from any place chosen across the globe at any time can do

his/her transaction through Telebanking service. By dialing the telebanking number, the account can be accessed by user friendly menu. The offered facilities are Balance enquiry, cheque book request, stop online payment, block debit/credit card or reorder debit/credit card, utility bill payments etc.

- **Mobile banking:** It is a service provided by a bank to allow its customers to conduct financial transactions remotely using a mobile device such as a smartphone or tablet. This service is available on java enabled/ android mobile phones (with or without GPRS)/ i-phones, where the user is required to download the mobile banking app of respective bank. The app is so user friendly that user can operate the account without any trouble. Dr. Raghu Rajan, on taking over as Governor of RBI on September 4, 2013 had stated that there was substantial potential for mobile based payments. According to a report of payvision(fig. 1) the mobile payment users almost reached 150 million.

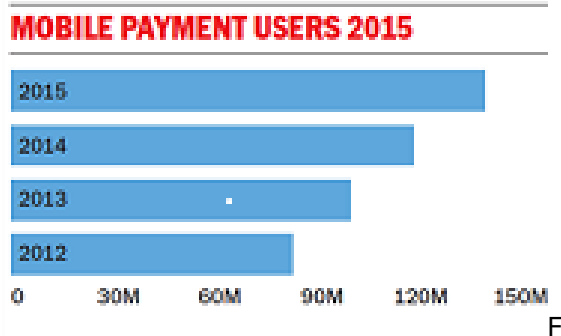


Figure 1 Source: pay vision

- **Debit/credit Card:** Debit card looks like credit card, but it works differently. Credit card works on 'pay later' basis whereas debit card works on 'pay now' basis. On using debit card amount is immediately deducted from the account but in credit card you can pay it later. It is accepted at grocery stores, retail stores, restaurants etc.
- **E-cheque:** it is an electronic version of presentation of paper cheque. It works same as that of paper cheque. It just facilitates the customer as you don't have to necessarily visit the branch.

REVIEW OF LITERATURE

Vikas chauhan and Vipin Chaudhary(2015)- The present paper attempts to understand the concept of internet banking as well as study the benefits of internet banking from perspective of consumers as well as banks. Further, this paper discusses the challenges and opportunities associated with the internet banking in Indian context. The discussion

concludes that concept of internet banking is slowly gaining acceptance in Indian scenario and efforts are being made by Government agencies to make it more popular among consumers.

Furst et. al. (1998) a U.S. based study found out a significant shift by consumers and businesses to electronic payments. In response to developments in electronic payments and remote banking, banks have greatly increased their investment in technology, particularly in retail banking. The gains from technological advancements in banking and payments are likely to be substantial, both from the point of view of individual financial institutions and economy-wide.

Balwinder Singh and Pooja Malhotra (2014) the paper presents data, drawn from a survey of commercial banks websites, on the number of commercial banks that offer Internet banking and on the products and services they offer. It investigates the profile of commercial banks that offer Internet banking, using univariate statistical analysis, relative to other commercial banks with respect to profitability, cost efficiency, and other characteristics. By the end of first quarter, 2004, differences between Internet and non-Internet banks had begun to emerge in funding, in sources of income and expenditures and in measures of performance. It was also found that the profitability and offering of Internet banking does not have any significant correlation

Roshanlal and R saluja (2012) The progress in e-banking in Indian banking industry is measured through various parameters such as Computerization of branches, Automated Teller Machines, Transactions through Retail Electronic Payment Methods etc. Statistical and mathematical tools such as simple growth rate, percentages and averages etc are used. The paper also highlights the challenges faced by Indian banks in adoption of technology and recommendations are made to tackle these challenges. The paper concludes that in years to come e- banking will not only be acceptable mode of banking but preferred mode of banking.

Trivedi and Patel(2013) analysed the problems faced by customers while using e-banking in India. It is observed that most of the customers know about the e-banking services offered by their banks. The study found that there is significant difference among different problems identified while using e-banking services. It concluded that all the reasons are not equally responsible for not using e-banking services.

ISSUES IN E-BANKING

Security: The security of customer's financial information is of inevitable importance, without which online banking could not operate. Financial institutions has taken various measures to reduce the risk of unauthorized online access to a customer's record, but the results are not much consistent. The concern about hackers and anti social element is always

present. Inspite of latest anti-virus and internet security programs installed problems such as:

Phishing: personal details of a customer are obtained by posing a banker by a fraudster, who float a site that is similar to customer's bank.

Malware- it is software which is designed specifically to damage or gain unauthorized access to other's computer.

Skimming- transferring of information from person's credit card to another counterfeit card.
are not unaware to internet. Identity theft is the biggest muddle and threat.

Awareness: Awareness of new technologies is also a major hurdle in the development of the e-banking in India. A major proportion of population of our country belongs to rural area. The Education level, the technology know-how is still below expectations. They find it difficult to use e-banking channels and even the resources are not upto the mark there.

Bandwidth of Internet Service: Bandwidth is the problem even if the area have a adequate connectivity. The bank branches can afford alternatives such as satellite connectivity, the consumer are unable to get these facilities at personal level. This results in connectivity getting lost and customer losing patience. It results not only in more customer footfalls but also to customer dissatisfaction.

Limit on fund transfer: RBI has set a limit on transferring of funds on internet banking due to security reasons, so walking into a branch with heavy cash is very time consuming and inconvenient.

Impersonal: Doing transaction on internet is very impersonal. There is no individual to receive and check your money or correct some wrong information that you might have written on a certain form. And for people who are comfortable dealing with real people or need help continuously, internet banking is not proving ideal for them.

Privacy risk: The risk of disclosing private information and fear of identity theft is one of the 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.

FUTURE / COUNTERMEASURES

The banks should create awareness among people about e-banking services. The customers should be made literate about use of e-banking services. The

employees of banks should be given technical training for the use of e-banking so that they can further encourage the customers to use the same.

The customers need to secure their accounts by avoiding online banking through unsecured wi-fi systems. And don't reveal their passwords or personal details. They should not enter login and other sensitive information in any pop up window and prefer to use virtual keyboard for entering login information. Access bank websites by typing URL. Do not click on any link in any mail. Ensure that firewall is enabled and Antivirus signatures applied.

Indian Prime Minister- Mr. Narendra Modi has started a project estimated INR20000 crores to build a broadband highway connecting 2.5 lakhs Panchayats across the country. This will help rural india to connect and boost the online transaction in the country

Few steps regarding enhancement of security and safety of customers that has been stated there are that RBI has advised banks that all new cards issued by them should be EMV Chip and PIN cards. A roadmap for migration of all existing magnetic stripe cards to EMV Chip and PIN cards has also been laid down. Bank will continue monitoring the progress made by the banks so as to ensure adherence to the timelines.

Presently the ATMs in the country read and process the card transactions only on the basis of data contained in the magnetic stripe, even though the card may be a Chip and PIN card. With the roadmap in place for issuance of EMV Chip and PIN cards, the aim will be to ensure that all the ATMs in the country migrate to processing of EMV Chip and PIN cards on the basis of Chip data rather than magnetic stripe data.

Although ATM infrastructure is widely used for meeting cash requirements of the customers, it is increasingly being used as a channel for carrying out other non-financial transactions and delivering value-added services. As such, the operational and logical access security aspects of ATMs assume significance, and any shortcomings in these areas make the systems vulnerable to attacks by fraudsters, thus impairing customer confidence and trust. The Bank will, therefore, examine holistically the physical and logical safety and security requirements of ATMs infrastructure and issue necessary guidelines to strengthen them.

The Indian government is encouraging Digital identification and cashless transactions. These measures picked up steam after the UIDAI(Unique Identification Authority of India) became responsible for providing the country's residents with a biometric

identity and digital platform to authenticate it in 2016. The government is pushing the whole financial system to use this unified identification system, and that has major implications for the sector.

According to Mckinsey's article- How to prepare Asia's digital banking boom(2014) the digital banking opportunity in India is small today, it will likely grow rapidly, at twice the rate of other bank revenue pool. Also they say that number of potential digital banking consumer could rise at tremendous rate in Asia.(Figure 2)

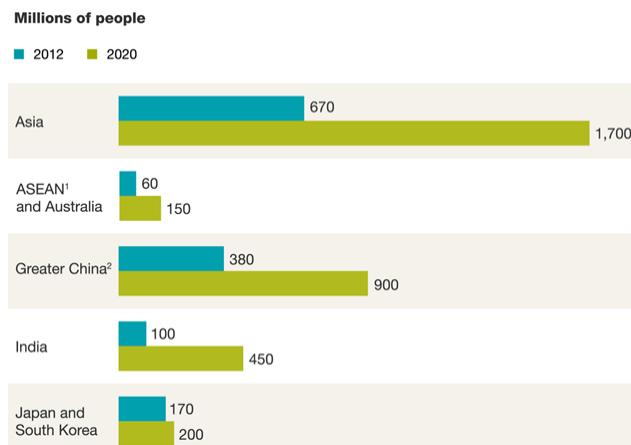


Figure 2: source Mckinsey.

CONCLUSION:

E-banking has revolutionized the banking world. The opportunities are in abundance in this field. Along with providing so many benefits to customers it is useful for banks as well because e banking provides more revenue per customer and costs less per transaction. It is true that people are not confident to whether to rely fully on e-banking because of complexity and unawareness. Security issues are also there but there is a lot has been done yet and is yet to do to eradicate those issues. Customer need to be fully aware of utility of e-banking. Seminars, training sessions should be organised for those customers who are not aware of usage of ATM or computers. Digitization of banking will take banking sector to a new level.

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