

Sustainability of E-Banking in India in the New Era

Heena¹, Sanya Jain², Renu³

¹Assistant Professor, Department of Commerce,
Sanatan Dharma College, Ambala Cantt

²Assistant Professor, Department of Commerce,
Sanatan Dharma College, Ambala Cantt

³Assistant Professor, Department of Commerce,
Sanatan Dharma College, Ambala Cantt

ABSTRACT

Banks exist in its crude form in early times. With the passage of time, the growth of industry and commerce has been so much and hence the banking system developed over a long span of time. Banks fulfill the ever growing needs of entrepreneurs, businessmen, farmers, government and other sectors of society. Banks boost up the economic development and growth of a country by channelizing resources productively. So banks are the base of agricultural, economic, industrial development of economy. Today a person cannot imagine even a day without bank because bank has a widespread role in our daily life. Even the situation of crisis can also come if banks stop their working or functioning for a day. They are most prominent borrower of public saving and lender of finance. E-Banking refers to all those transactions and banking services that are performed through electronic means. Electronic Banking is a system that enables the various financial institutions, customers, individual or businesses, to access accounts, transact business, or obtain information on financial products and services through a public or private network using internet. E-Banking helps to pay invoices and bills wherever one wants to. Account balance and transactions can also be checked through E-Banking.

KEY WORDS: Internet, Debit Card, Online, Banking, ATM, Customer, Cost, Electronic, Bank, E-Banking, Online Banking.

INTRODUCTION

Banking system in India originated in the last decade of 18th century. Following the policy of liberalization in the year 1990, small number of private banks were introduced which came to be known as New Generation Tech-Savvy banks. With this major move banking system in India is being revitalized and all the three major banking sector i.e. Public Banks, Private Banks and foreign Banks has grown remarkably leading the Indian economy to the new paths of growth and strong growth in the International markets. Revolution in Indian IT sector has a significant impact on the Indian banking system. After the economic liberalization the use of computers and internet technology has increased. Introduction of MICR (Magnetic Ink Character Recognition) technology in 1984, Computerization of banks branches in 1988, adoption of EFT (Electronic Fund Transfer) System in 1994. Total number of ATM (Automatic Teller Machine) operating in India by the end of June 2012 is 99218. Indian Banking has impacted business operations in India as well outside drastically. Business has grown many-fold because of the introduction of internet banking as it has cut down the transaction cost massively and has made business operations easier with the international markets.

As whole economy is based on supply and demand of currency. Moreover needs like services on daily basis, immediate transfer of money leads to existence of E-Banking. Electronic Banking is the modern form of banking in which there is the use of technology and communication to do the various tasks of banking transactions digitally without even going to a bank. Banks are vitally employing electronic payments system to provide banking services to the customers conveniently. The use of technology in functioning of banking has replaced the oldest system of banking to modern banking (*Machiraju H.R. 2008*). The widespread use of Information Technology by banks has consequently lead to computerization of bank branches and their inter-connection. Basically, electronic Banking refers to digital money, electronic cash, digital cash, electronic currency which is transferred merely electronically. E-Banking deliver's bank services to its customer at office or at their home via electronic delivery channels. It is available anytime and at anywhere, i.e. 24×7×365. Customers can do distinct transactions like payment of any bill, balance enquiries, transfer of funds and transaction histories can be seen even without going to the bank branch. There are various E-delivery channels. Some of them are Centralized Banking Solution, Automated teller machines, Smart Cards, Electronic Payment Systems.

OBJECTIVES OF THE STUDY: E-banking is becoming popular day by day and each and every person is involved in the usage of e-banking. The main reason to choose this topic is to know the impact of electronic banking on customer satisfaction in comparing to the oldest form of banking, to calculate the opportunities and challenges in this respect.

BACKGROUND

P.K. Gupta, Jamia Millia Islamia (2008) explained that the use of E-Banking is confined to a few consumer segments due to the risks associated with it. Banks need to find out the sophisticated systems and technology to curb that risk. The functional model can be prioritize so that the value of consumer can be maximized. The experiences of the global economies suggest that banks cannot avoid the concept of e-banking, but to gain a competitive advantage, they may make valid changes to suit Indian conditions.

Sonia Sharma (2016) elucidated that the development and new innovations in internet banks has increased the banking business competition. Although the advantages of internet banking cannot be ignored but the user of Internet Banking must ensure the different benefits and fees of different banks that creates a huge difference in cost of internet banking.

Artem Vorobyev (2012) described that banking system is heart of every economy. Contemporary activities of commercial banks are so diverse that their true function might appear uncertain. In content of commercial banking, E-Banking nowadays has made life so convenient that most of the transactions can be done electronically.

Uppal and Chawla(2009) labeled that E-Banking has opened many new business avenues for the banking industry. It has been viewed that customer of almost all bank groups are interested in e-banking services but they are afraid of its consequences and nonfulfillment of its requirements. It is seen that security is one of the most important factors which affect the customer satisfaction. With the advent of internet banking one can do most banking transactions from a remote location even without stepping into physical commercial banks. Online bank users always say that convenience is important for them which E-Banking provides them.

Umme sauda bente morad (2013) enlightened that people feel it as most cheapest and convenient way as it saves the time and also it is globally accessible. Apart from security aspects there are many factors and barriers that force people to prefer commercial banking. If the banks want to expand the customer base of e-banking, they should enhance the service quality,

responsiveness and reliability factors of e-banking. Customers are not aware about the activities of hackers like phishing, spoofing etc. According to the users of Electronic Banking, more attention should be given in the encryption of information exchanged between the users and Bank. Therefore, Banks need to bring changes in E-Banking facility to retain their existing customer and attract new customers.

FORMS OF E-BANKING

E-banking includes internet banking, ATM (Automated teller machine), Tele banking (includes features like caller identification, Dynamic Card activation, IBAN SMS, Instant TPIN Registration, Updating mobile number, Card PIN Change) Smart card, debit card, E-cheque, direct deposit, electronic bill payment and so on. E-Banking provides door step services and is efficient in customer relationship management (*Sharma, S. 2016*). It allows financial users to manage the online experience to their end users and also allows the hosting company to administer the solution across financial institution.

✓ **Internet Banking:**

Internet Banking helps to manage several banking transactions on-line via on laptop.

✓ **Automated Teller Machines (ATM):**

An automated teller machine (ATM) is AN electronic computerized telecommunications device that permits a money institution's customers to directly use a secure technique of communication to access their bank accounts, order or build money withdrawals (or money advances employing a credit card) and check their account balances without going to any branch of bank.

✓ **Tele Banking:**

By dialing the Telebanking number through a subscriber line or a mobile from anyplace, the client can access his account and by following the customer/user-friendly menu, entire banking can be done through Interactive Voice Response (IVR) system. Caller Identification, Prioritization of International call, Dynamic Card Activation, IBAN SMS, Updating mobile number, Card PIN Change are some of the salient features of tele banking.

✓ **Smart Card:**

A smart card generally contains an embedded 8-bit microchip (a kind of

computer chip). The microprocessor is placed on the smart card for security. The host computer and card reader in point of fact “talk” to the microprocessor. The microprocessors carry out access to the data on the card. The chips in these cards are capable of doing countless types of transactions.

✓ **Debit Card:**

Debit cards are also identified as check cards. Debit cards look identical credit cards or ATM (automated teller machine) cards, but function like cash or a personal cheques. Debit cards are different from credit cards. While a credit card is a technique to “pay later,” a debit card is a mode to “pay now.” When customers use a debit card, money is quickly deducted from his/ her checking or savings account.

✓ **E-Cheque:**

An E-Cheque is the electronic version or exemplification of paper cheque. An electronic check is a part of the larger electronic banking area and part of a subset of transactions denoted to as electronic fund transfers (EFTs), which comprises not only electronic cheques, but also further computerized banking functions such as ATM withdrawals and deposits, debit card transactions and remote check depositing features.

ELECTRONIC BILL PAYMENT:

It is a feature of online banking in which a user can pay his bill online by using different secured applications. A user can transfer money from his account to the account of that party to whom he has to pay like in case of electricity bill, a customer can use Paytm application. By the use of that application customer can directly pay the electricity bill to electricity board without standing in a queue.

✓ **Cash Value Stored:**

A stored cash value card is a payment card in which no external account is needed to maintain by any financial institution but it is a card where monetary value is stored on itself. Stored-value cards differ from other cards like debit cards, where money is on deposit with the issuer, and credit cards which are subject to credit limits set by the issuer.

CHALLENGES IN ADOPTING E-BANKING SERVICES

In India, Electronic Banking is in emerging state. Challenges are at both ends i.e. banks and customers. Customers are not ready to accept it as they do not consider these services safe and secure and banks are also facing challenge as service charges through online mode of transaction is very less and e- banks do not generate profits. Technological barrier is the problem at both ends.

Infrastructure for installing E-delivery channels and infrastructure for using these services is also a major concern for both the parties. (*Devi, S. 2001*). Another major challenges which may create hindrance in adopting E-Banking services include computer illiteracy, traditional banking habit of going bank for each and every transaction, no ease to learn new and innovative things, less faith on technology, requirement of laptop or computers, challenge of data protection, risk of hacking the data on use of debit cards and lack of customer awareness.

OPPORTUNITIES OF E-BANKING IN INDIA

There are many issues and challenges in front of banks and customers while using online banking services but still if one see the another side of coin, he can see there are many opportunities available for customers as well as banks if these services are being used effectively at both the ends. Banks can offer so countless channels to access their banking and other services such as ATM, Telephone/mobile banking, Local branches, video banking etc. to reach the customers and to increase the banking business. The benefit of using e-banking services offers a competitive advantage to the customers and banks over other private banks or other financial institutions. The use of e-banking services gives many advantages to customers and banks in the form of less cost, improves customer relation, and increases geographical reach of the bank. Now almost every telecommunication company is offering high speed internet with a minimum cost. So customers face very less connectivity problems. In India, more than half of population lives in villages or in rural area where there may be no bank, they can take the benefits of e-banking (*Jamaluddin N. 2013*).

Retailers in whole wide nation are accepting money through Google Pay Paytm or Bhim app or PayPal etc. This gives customers more discount and coupons. This also attracts consumers to use these types of applications while purchasing any grocery items or while filling petrol in vehicle or while eating fast food or while ordering any food item online or while booking movie ticket, bus ticket or train ticket or while hotel booking. So they get attracted towards online banking.

CONCLUSION

Electronic Banking is a very innovative as well as very attractive tool for today's generation. It not only helps customer in withdrawing money but also provides various other opportunities such as online shopping, banking alerts, etc. E-banking transactions are cheaper than the transactions which take place physically in commercial banks. This could turn tomorrow's competitive advantage for the Electronic banking. Electronic banking is

mostly used by the today's youth and it is a major part of business in today's era.

But the security system of banks are not yet good. There are chances of hacking of customer's personal details and information. Just like a coin has two sides, E-Banking also has its two sides. In future, technological improvement will help in changing the scenario. It can be concluded that internet banking is increasingly becoming a “**need to have**” than a “**nice to have**” service.

REFERENCES

1. Devi, S. (2001) “Electronic Banking-Entry in the Indian Banking Scenario”, Banking in the New Millennium, Kanishka Publishers, Distributors, p.39.
2. Gupta, P.K. (2008). Internet banking in India – Consumer concerns and bank strategies. Global journal of business research, 2 (1).
3. Jamaluddin N. (2013). E-Banking challenges and opportunities in India. Proceedings of 23rd International Business Research Conference, ISBN: 978- 1- 922069- 36- 8
4. Machiraju H.R. (2008), Modern Commercial Banking – 2nd ed. New-Delhi: new age international (p) limited, publishers
5. Sharma, S. (2016). A detail comparative study on e- banking VS traditional banking. International Journal of Applied Research, 2(7), 302-307. Retrieved from www.allresearchjournal.com
6. Uppal R.K., Chawla R. (2009). E-Delivery Channel-Based Banking Services: An Empirical Study. [IUP Journal of Management Research; Hyderabad 8 \(7\),7 - 33.](#)
7. Morad, U.S.B. (2013). A Research proposal on the impact of Internet Banking on customer retention, an internship report, Independent university, Bangladesh.
8. Vorobyev, A. (2012). Investments in commercial banking – core concepts and risk management strategies. Bachelor's thesis (Turku University of Applied Sciences).Degree Programme in Business Management, International Business Management.
9. Ekta Jalan (n.d.). Top 10 Banks that Provide Best Internet Banking Facilities India. Retrieved July 2018 from <http://www.omgtoptens.com/misc/business/top-10-banks-that-provide-best-internet-banking-facilities-india/>

10. Ministry of Electronics and Information Technology. (n.d.). Cashless India Retrieved July 2018 from cashlessindia.gov.in/internet_banking.html
11. Wikipedia contributors. (n.d.). online banking. Retrieved from https://en.wikipedia.org/wiki/Online_banking
12. Web Finance Inc. (n.d.). What is online banking? Retrieved from www.businessdictionary.com/definition/electronic-banking.html