

Status of E-Banking I India: Challenges and Opportunities

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Abstract: Online banking referred to as internet banking, virtual banking, and simply banking allows Customers of banks or other financial institutions to perform various financial transaction via the institution websites or mobile apps. This digital transformation has enabled customers to access traditional banking services online through net banking. This encompasses ATMs, credit cards, and debit cards via mobile banking. Electronic banking is both safe and secure, offering a higher quality of banking operations compared to traditional methods. In India e-banking is still in the early stages of its growth and development. The competition landscape in banking has transformed the sector. This study aims to highlight the concept of e-banking. the research method involve is this study is secondary data sources from various databases of books, research papers, and related articles on e-banking available on the internet. The current research aims outline the existing state of e-banking in India while exploring the challenges and opportunities it presents. Through e-banking, the banking industry is enhancing customer satisfaction and loyalty. Financial institutions should ensure they offer convenience to their clients by providing services access multiple distribution channels making online services more accessible for customers.

Keywords: Online banking, websites or mobile, Electronic banking, Financial institutions, online services.

I. INTRODUCTION

Modern banking has become more convenient, providing a secure method for individuals to store their hard-earned money in bank accounts. With technology, transactions can now be completed with just a click, allowing people to transfer funds between accounts without having to wait in long lines for hours. There are a variety of options available for consumers, including debit cards, credit cards, e-wallets, online banking, and mobile banking, which have supplanted traditional transaction methods. In the past, electronic payments were primarily limited to large, significant transactions, with cheques being the primary means of making payments until technological advances emerged. Now, even small transactions are simplified through e-banking, enhancing convenience for users to make their payments. Embracing e-banking services allows banks to generate returns on their investments and fosters a competitive atmosphere for them.

Definition and concept of E-banking:

E-banking is frequently described as banking conducted over the internet (Hertzum et al., 2004). According to UNCTAD (2002), the provision of retail or wholesale banking services via the internet is commonly known as E-banking, which encompasses both individual and corporate clients. This includes services such as bank transfers, payments and settlements, documentary collections and credits, lending for businesses and households, card services, and more. In the late 1990s, numerous banks began to see web-based banking as a strategic necessity. To retain customers and foster loyalty, banks sought to implement web-based banking solutions. Electronic banking is a collective term that refers to the ability for customers to conduct banking transactions electronically without needing to visit a physical bank. Electronic banking services began evolving in 1995, when the Maryland Presidential Bank, an American institution, enabled the opening of bank accounts online. Internet banking (e-banking) allows customers to

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access a variety of banking products and services, both small and large, through electronic means. This type of banking encompasses activities or services that customers can use anytime and from anywhere, offering them convenience; it is also referred to as PC banking, online banking, cyber banking, or virtual banking.

II. REVIEW OF LITERATURE

A brief overview of existing literature has been presented, highlighting several relevant studies conducted globally in the field of e-banking.

Dangwal, R.C. (2010). Technology is advancing swiftly and experiencing numerous transformations. This reflects the merging of communication technologies, information systems, and novel applications in product manufacturing, design, and management. Due to technological progress, the planet has turned into a global community, initiating a revolution in the banking industry.

Seranmadevi, R (2012). Different forms of e-Banking can appeal to prospective customers due to enhanced accessibility, lower costs, and user-friendliness. The study also emphasizes the features of electronic credit cards, the regularity of their use, repayment methods, and additional benefits provided with credit cards for various customer segments.

Haq & Khan (2013) examined the challenges and opportunities present in the Indian banking industry. The research revealed that merely 28 percent of banking customers were utilizing internet banking after assessing demographic factors. It indicated that there was no significant correlation between age and the usage of cyber banking. Furthermore, the study showed that there was no link between gender and the acceptance of internet banking. It noted that the level of education and income of the participants influenced their adoption of online banking. The study recommended that it is essential to enhance users' financial literacy through various initiatives that banks should implement to raise awareness about internet banking.

Manikyam, Ratna (2014) examined how liberalization, privatization, and globalization have influenced Indian banks, highlighting the associated opportunities and difficulties. The research indicated that the primary challenge for banking lies with the general public and businesses, and that Indian banks need to develop unique products to compete effectively with foreign banks. Additionally, the study underscored the importance of creating knowledge-based organizations to thrive amidst global banking competition.

Chauhan, V. & Chaudhary, V. (2015) examined the idea of internet banking and its advantages from the viewpoints of both consumers and banks, alongside the current state of internet banking. The increase in mobile banking from 2010 to 2014 was the most significant, at a rate of 495.64%, while the growth of credit cards during the same timeframe was the lowest at 11.07%. NEFT and RTGS transactions experienced substantial growth as well, at 602.69% and 89.29%, respectively. They concluded that the majority of banks have adopted e-banking services that provide benefits for both consumers and institutions, yet there remain concerns regarding safety, security, and reliability that must be addressed by the banks.

III. RESEARCH METHODOLOGY

This study utilized secondary data obtained from various databases that include books, research articles, and relevant online resources regarding e-banking.

Objectives of the study:

- To understand the concepts of e-banking.
- To study the present status of financial innovations in the Indian banking industry.
- To study the different challenges faced in e-banking.
- To study the different opportunities, present in e-banking.



Present Status of E-banking in India:

Online banking has become a crucial component of the banking ecosystem in India. Prior to the 1990s, branch-centric banking was the norm, but in the following decade, services outside of traditional branches were introduced. ICICI Bank is credited with being the first to launch internet banking in India, followed by Citibank and HDFC Bank, both of which began offering internet banking services in 1999. The Indian government implemented the IT Act in 2000, effective from October 17 of that year, which granted legal status to electronic transactions and various forms of e-commerce. The Reserve Bank of India continually oversees and evaluates the legal and regulatory aspects of e-banking to ensure its development aligns with sound practices and does not compromise financial stability. As reported by the RBI in January 2016, there are 196079 ATMs and 1337310 point-of-sale devices across India. To remain competitive, Indian commercial banks have embarked on numerous initiatives, one of which is e-banking. The competition has been particularly fierce for public sector banks, as newer private and foreign banks have taken the lead in adopting e-banking solutions. Indian banks provide their customers with a range of e-banking products and services, including Automated Teller Machines (ATMs), Internet Banking, Mobile Banking, Phone Banking, Tele banking, Electronic Clearing Services, Electronic Clearing Cards, Smart Cards, Doorstep Banking, and Electronic Fund Transfer.

According to the RBI's Annual Report for 2020-21, the payment systems experienced significant growth of 26.2% in volume, building on a remarkable 44.2% increase in the prior year. Here are some key highlights:

- Private sector banks hold approximately 67% of the POS terminal market, while public sector banks make up 27%. Payments banks hold a 5% market share, and foreign banks account for 1%.
- The total number of cards in circulation reached 960.25 million as of March 2021, which includes 898.20 million debit cards and 62.05 million credit cards, reflecting an annual growth of 8% and 7%, respectively.
- There were 2.20 billion prepaid payment instruments available in the country, with 189.93 million in prepaid cards and over 2.01 billion in mobile wallets.
- The number of transactions made via mobile wallets in the first quarter of 2021 was 1.13 billion, totaling INR 411.75 billion. This included purchases of goods and services as well as fund transfers through wallets, with steady growth observed in wallet transactions.
- Consumers executed 8.32 billion mobile-based payments, while transactions conducted through Net Banking or internet browsers exceeded 937.60 million. The value transacted via mobile reached INR 31.98 trillion, compared to INR INR 131.34 trillion via the internet.
- Within the overall UPI transaction volume, 55% were P2P (Person-to-Person) transactions and 45% were P2M (Person-to-Merchant). UPI transactions exceeded 2.73 billion in volume and surpassed INR 5 trillion in value.
- The transaction volume for Bharat Bill Payment Central Unit (BBPCU) in Q1 2021 was recorded at 90.71 million, with the transaction value amounting to INR INR 134.70 billion. This marked growth rates of 99% in volume and 129% in value compared to Q1 2020.
- AePS transactions (including BHIM Aadhaar Pay) saw significant activity in Q1 2021, with over 449.45 million transactions processed, indicating a growth of approximately 120% compared to Q1 2020. The value of these transactions totaled INR INR 633.38 billion, demonstrating a 93% increase from Q1 2010

IV. CHALLENGES IN E-BANKING

E-banking is currently in the early stages of development in India. Most of the services offered are quite basic, but the deregulation of the e-banking sector, along with advancements in banking technology, is allowing new competitors to enter the financial services markets swiftly and effectively. Nonetheless, it is important to acknowledge the need for a change in perception and enhancements in the operation of e-banking services.

- **Security Concern:** Issues related to security have emerged as one of the primary worries for banks. A significant number of customers do not choose to utilize e-banking services due to doubts and security issues. According to the IMAI Report (2006), 43% of internet users in India are avoiding internet banking due to



security apprehensions. Therefore, it poses a considerable challenge for marketers to address consumers' security concerns, which could subsequently boost the adoption of online banking.

- **The Trust Factor:** The primary obstacle to online banking for many customers is trust. Customers tend to favor traditional banking due to concerns over the security of online transactions. They perceive online transactions as risky, making them susceptible to fraud. When utilizing e-banking services, customers often have questions like: Was my transaction successful? Did I press the transfer button once or twice? Trust is one of the key elements that affects customers' willingness to conduct transactions with online retailers.
- **Customer Awareness:** Awareness among consumers about the e-banking facilities and procedures is still on the lower side in the Indian scenario. Banks are not able to disseminate proper information about the use, benefits, and facility of internet banking. Less awareness of new technologies and their benefits is among one of the most ranked barriers in the development of e-banking.
- **Privacy risk:** The risk of disclosing private information & fear of identity theft is one of the major factors that inhibit consumers while opting for internet banking services. Most consumers believe that using online banking services makes them vulnerable to identity theft. According to the study consumers' worry about their privacy and feel that bank may invade their privacy by utilizing their information for marketing and other secondary purposes without the consent of consumers.
- **Enhancing public support:** Historically, in developing nations, the majority of e-finance initiatives have emerged from collaborations between private and public sectors. When the public sector lacks the resources required to execute projects, it is crucial to foster joint efforts among public and private sectors, in addition to multilateral organizations like the World Bank, to facilitate public backing for e-finance initiatives.
- **Access to personnel services:** Nowadays, banks are required to offer various services such as social banking with financial opportunities, targeted upgrades, automation, innovative technology, improved customer service, efficient management practices, internal oversight and governance, satisfactory profitability, and a robust organizational culture. As a result, banks need to deliver comprehensive personnel services to meet the expectations of their customers.
- **Implementation of global technology:** Developing countries must achieve a suitable standard of infrastructure and invest in human capacity development prior to incorporating global technology to meet their local needs. In these countries, numerous consumers either lack trust in or do not have access to the essential infrastructure required to handle electronic payments.
- **Non-performing assets (NPA) pose a significant challenge for the banking sector.** The rise in vehicle loans and unsecured loans contributes to NPAs, with approximately 50% of banks' retail portfolios affected due to increasing interest rates, limitations on collection practices, and skyrocketing real estate prices. Consequently, it is essential for every bank to ensure that loan repayments are made regularly.
- **Competition:** Nationalized and commercial banks face rivals from foreign banks and new private sector banks. This competitive environment in the banking sector presents several challenges, including product positioning, the need for innovative concepts and channels, adapting to new market trends, cross-selling strategies, and effective management at both the managerial and organizational levels. To tackle these challenges, banks are streamlining their operations by replacing human labor with automated systems, thus reducing manual efforts and maximizing productivity through technology. It is essential to employ skilled and specialized personnel, and to hire staff who are focused on achieving specific outcomes.
- **Managing Technology:** It is crucial to either develop or acquire the appropriate technology, implement it effectively, and maximize its use in order to reach and uphold high standards of service and efficiency, all while being cost-effective and providing sustainable returns to shareholders. Those who adopt technology early gain substantial competitive advantages. Thus, managing technology represents a significant challenge for the banking sector in India.



V. OPPORTUNITIES IN E-BANKING

In spite of the numerous challenges faced in relation to e-banking in India, the subsequent opportunities are encouraging marketers to adopt e-banking solutions.

- **Untapped Rural Markets:** Rural areas account for 70% of the total population in India, representing a significant opportunity for the banking industry. While banking services have penetrated urban regions, only a limited number of large villages have seen banks established. Therefore, it is essential for banks to extend their reach to all remaining villages, as a significant portion of the Indian population still resides in rural areas.
- **Various Access Points:** Financial institutions can provide numerous avenues for customers to utilize their banking and associated services, including ATMs, local branches, telephone and mobile banking, video banking, and more, in order to expand their banking operations.
- **Competitive Advantages:** Embracing e-banking offers banks a competitive edge over other competitors. The integration of e-banking proves advantageous for financial institutions in various aspects, such as lowering expenses, enhancing customer connections, and expanding the bank's geographical presence. The advantages of e-banking have transformed into opportunities for banks to optimize their banking operations effectively.
- **Increasing Internet User Base & Computer Literacy:** A crucial prerequisite for utilizing internet banking is that individuals possess an understanding of internet technology, enabling them to seamlessly embrace internet banking services. The rapidly rising number of internet users in India presents a significant opportunity, and the banking sector should capitalize on this trend to encourage more internet users to adopt internet banking services. The table provides evidence of the increasing number of internet users in India.
- **Valuable Customer Service:** Exceptional customer service acts as the most effective brand ambassador for any financial institution seeking to expand its operations. Each interaction with customers presents a chance to enhance their trust in the bank. Amid rising competition, customer service has become crucial for evaluating the effectiveness of banks.
- **Online Banking:** It is evident that digital finance will grow, leading to greater integration in product offerings such as banking services, stock trading, insurance, and loans, all leveraging data warehousing and data mining technologies. The concept of banking at any time and from anywhere will become the norm and will require enhancement; this enhancement might involve banks introducing distinct online banking services in addition to their traditional offerings.
- **Retail Lending:** In recent times, banks have embraced customer segmentation, allowing them to tailor their product offerings more effectively. As a result, retail lending has emerged as a key focus, especially regarding the financing of consumer goods, housing, automobiles, and more. Furthermore, retail lending has contributed to risk distribution and improved banks' earnings through higher recovery rates.

VI. CONCLUSION AND SUGGESTIONS

Digitalization has become essential for the banking industry in India, significantly enhancing the services available to customers. Internet banking stands out as a crucial banking channel, enabling users to perform numerous transactions, both financial and non-financial, via a bank's website. The diverse services provided include Internet banking, SMS banking, ATMs, mobile banking, e- cheques, UPI, and debit/credit cards.

In today's globalized world, e-banking plays a crucial role in advancing the banking industry by addressing key issues and challenges associated with it. The banking sector in India has the potential to enhance customer loyalty. This can be achieved through effective training and development, as well as simplifying the banking procedures to make them more accessible and familiar to customers.

The younger demographic is starting to recognize the advantages and ease of e-banking. In the future, e-banking is expected to become not just a valid banking method but the favored choice for banking in India. Private sector banks dominate the POS terminal market more than public sector banks do. Most prepaid payment instruments in the country are primarily facilitated through mobile wallets.



The Indian Government and different government bodies are working to enhance the safety, security, and reliability of e-banking through digital channels. An increasing number of customers are visiting bank branches less frequently and are instead utilizing online and mobile technology for their banking requirements. Online and mobile banking are experiencing significant growth. Currently, a large portion of the Indian population is using e-banking for their transactions and make them stand with the current scenario of the country.

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