



AN OVERVIEW OF ELECTRONIC BANKING IN INDIA

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ABSTRACT

The main motive behind nationalisation of commercial banks was to pump more funds in priority sector. Once again in 1980, 6 more commercial banks were nationalised. Due to nationalisation of commercial banks Government of India had controlled around 91 per cent of the banking business in India. The government of India, under the chairmanship of Mr. M. Narasimham appointed the Narasimham Committee-I and II in April 1991 and 1997 respectively. After examining a variety of problems and prospects of banking sector, it made a wide range of recommendations for improving financial viability of the banks and increasing their autonomy from government. Currently, India has 96 scheduled commercial banks (SCBs) - 27 public sector banks, 32 private banks and 38 foreign banks. They have a combined network of over 53,000 branches and 17,000 ATMs.

KEYWORDS : Financial viability, e-banking, IT, Financial frauds etc.

1. INTRODUCTION

Banking in India originated in the last decades of 18th century. The first banks were the General Bank of India, which started in 1786, and Bank of Hindustan which started in 1790; both are now defunct. The oldest bank existence in India is the State Bank of India. In order to have more control over the banks Govt of India thought to nationalise 14 commercial banks in 1969. The main motive behind nationalisation of commercial banks was to pump more funds in priority sector. Once again in 1980, 6 more commercial banks were nationalised. Due to nationalisation of commercial banks Government of India had controlled around 91 per cent of the banking business in India. The government of India, under the chairmanship of Mr. M. Narasimham appointed the Narasimham Committee-I and II in April 1991 and 1997 respectively. After examining a variety of problems and prospects of banking sector, it made a wide range of recommendations for improving financial viability of the banks and increasing their autonomy from government directions, restructuring unviable banks, allowing a greater entry of the private sector in banking, liberalizing the capital market, further improving the operational flexibility and competition among the financial institutions and setting up of proper supervisory system. Further, it recommends to strengthening banking system, systems and methods of banking, structural issues, integration of financial markets, rural and small scale industrial credit and regulation and supervision.

Currently, India has 96 scheduled commercial banks (SCBs) - 27 public sector banks, 32 private banks and 38 foreign banks. They have a combined network of over 53,000 branches and 17,000 ATMs. According to a report by ICRA Limited, a rating agency, the public sector banks hold over 75 percent of total assets of the banking industry, with the private and foreign banks holding 18.2% and 6.5% respectively.

2. RESEARCH METHODOLOGY**2.1 Research Problem**

It is evident that there a sea changes in the operations of banking sector in India. Instigation of Indian economy with world economy had created uncountable opportunities for every sector in the economy whereas banking sector was not exceptional one. Still, there is an attempt made by the policy makers to strengthen banking sector by using information technology more effectively so that customer friendly

transactions can enhance at a great extent. This one side of a coin another side has its own problems like misuse of technology, internet financial frauds, and online hackings of accounts, etc. In this context, it is felt that there is a great need to look into the pros and cons of e-banking in order to overcome shortfalls and visualise the future of e-banking.

2.2 OBJECTIVES OF THE STUDY

Following are the specific objectives:

- To study the transformation of Indian banking system and its progress towards e-banking during the study period;
- To evaluate various information technology tools which smooth the progression of banking sector to reach out its end result; and
- To visualize the future of banking sector.

2.3 SOURCE OF DATA

To reach out the objectives of the study it is intended to work on secondary data only. The required has collected from text books, referred journals, published and unpublished literature and websites on the subject.

3. TRANSFORMATION OF BANKING SYSTEM

The new economic policy declared by the Govt of India in 1991 rose a new era in the Indian banking business. During the early 1990s, the then Narasimha Rao Government embarked a policy of liberalisation by licensing a small number of private banks. These were popularly known as 'New generation tech-savvy banks'. The new policy shook the Banking sector in India. The new wave ushered in a modern outlook and tech-savvy methods of working for traditional banks. All this led to the retail boom in India. People not just demanded more from their banks but also received more. The IT revolution had a great impact in the Indian banking system. The use of computers had led to introduction of online banking in India. The use of the modern innovation and computerisation of the banking sector of India has increased many folds after the economic liberalisation of 1991 as the country's banking sector has been exposed to the world's market. At present, Indian banks are finding their way to compete with the international banks in terms of the customer service with the use of the information technology and computers effectively and efficiently.

3.1 E-Banking

Table 1: ATMs of Scheduled Commercial Banks (As on March 2020)

Sr.No	Bank group	On-site ATMs	Off-site ATMs	Total number of ATMs	Off-site ATMs as per cent of Total ATMs
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I	Public sector Banks	29,795	19,692	49,487	39.8
	1.1 Nationalised banks	15,691	9,145	24,836	36.8
	1.2 SBI group	14,104	10,547	24,651	42.8
II	Private sector banks	10,648	13,003	23,651	55.0
	2.1 Old private sector banks	2,641	1,485	4,126	36.0
	2.2 New private sector banks	8,007	11,518	19,525	59.0
III	Foreign banks	286	1,081	1,367	79.1
All SCBs (I+II+III)		40,729	33,776	74,505	45.3

Source: Report on Trend and Progress of Banking in India- 2019-20, RBI, Mumbai, p 91.

During 2019-20, the number of debit cards grew at the rate of 25 per cent over the previous year. In sync with the trend observed in case of ATMs, nearly three fourths of the total debit cards were issued by PSBs as at end March 2020. The share of PSBs in outstanding debit cards witnessed an increase during the recent years, while that of new private sector banks and foreign banks witnessed a decline over the same period. However, in absolute terms, the number of outstanding debit cards witnessed an increase for new private sector banks during the recent years. The issuance of credit cards facilitates transactions without having to carry paper money. Despite the decline in the number of outstanding number of credit cards, the volume and value of transactions with credit

card recorded a growth of 13 per cent and 22 per cent, respectively in 2019-20. New private sector banks and foreign banks accounted for more than 80 per cent of the total outstanding credit cards as at end March 2020.

The electronic payment systems such as Electronic Clearing Service (ECS) credit and debit, National Electronic Fund Transfer (NEFT) for retail transactions and Real Time Gross Settlement (RTGS) for large value, improved the speed of financial transactions, across the country. Both retail and large value systems of electronic payment transactions registered a growth out of which NEFT registered a steep growth in 2019-20 over the previous year.

Table 2: Volume and Value of Electronic Transactions by SCBs during 2009-11

(Volume in million, Value in crore)

Item/Year	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
	Volume		% Variation		Volume		% Variation	
ECS Credit	98.1	117.3	11.0	19.5	1,17,613	1,81,686	20.6	54.5
ECS Debit	149.2	156.7	-6.7	5.0	69,524	73,646	3.8	5.9
NEFT	66.3	182.3	106.3	99.5	4,09,507	9,39,149	62.5	129.3
RTGS	33.2	49.8	148.5	48.2	3,94,53,359	4,84,87,234	22.2	22.9

Source: Report on Trend and Progress of Banking in India- 2019-20, RBI, Mumbai, p 93.

3.2 Recent Initiatives

The Reserve Bank has set up a robust technology-based payment and settlement systems infrastructure with enhanced assurance of uninterrupted and efficient provision of services. Major policy initiatives taken during the year to further strengthen the payment and settlement system were as follows:

- Paper clearing express and express cheque clearing system;
- Electronic payment systems; iii) Prepaid payment instruments;
- Mobile banking transactions; v) Card based transactions; and
- Automated data flow and New generation RTGS.

3.3 Use of e-banking in India

The number of internet banking users has increased from 9% in 2003 to 50% in 2010 due to increase in internet services. Multiple services can be offered through online banking such as – bill payment services, Fund transfer, railway ticket booking etc.

Table 3: Trend in Usage of E-banking in India during 2013-2020

Year	2013	2014	2015	2016	2017	2018	2019	2020
Change in %	9	12	15	20	25	32	40	50

Source: www.banknetindia.com

As part of implementation of strategic IT initiatives, Banks are deployed IT solutions to facilitate automation in transaction management, reporting and risk management. The following table portrays IT implementations statuses cutting across various banks.

Table 4: Awareness on Banking Services offered by Various Banks

Particulars	Core Banking	CRM	IAM	Business Intelligence	GRC	Self service Kiosk	Internet Banking	Mobile Banking	Financial Banking
Public Banks	H	L	L	L	M	L	H	M	H
Private Banks	H	H	H	M	H	H	H	H	H
MNC Banks	H	H	H	H	H	H	H	H	L

Source: The Economic Times Banking Technology Conclave, Banking on Technology –India, 3 September 2010, Mumbai, p11.

Note: H denotes High; M denotes Medium; L denotes Low

Most of the banks irrespective of their nature of ownership have already started to implement core banking systems and general ledger automation systems. Initiatives such as internet based transaction banking, self service kiosks, mobile banking are either underway or are planned in near term. The deployment of new technologies is gaining momentum, which has the potential to bring far reaching impact in the Banking industry as a whole.

5. Tools and services for E-Banking

So far, there are two tier structures in offering e-banking transactions for the end users. These include a basic tier of

5.1 Home Banking

One type of electronic banking services is home banking. In this type of banking is done access to account information and

banking services through a personal computer using a modem and a phone line in addition, financial software or banking.

5.2 Web Banking

Currently, many organizations invest in create their own websites to deliver marketing messages. The easiest form of internet banking in order to display information about the products and services are via the network of World Wide Web. Today, all major banks and financial institutions have web pages. These pages allow customers and banks to interact and exchange information in order to provide. Also the web used as a tool for examining and received suggestions from customers and the development of communications and expansion services like e-mail.

5.3 Telephone Banking

One of the most common patterns of banking is telephone banking that it has long been used. There are generally three types of telephone banking system. A type of it automatically through a computer system is responsive. The other type, the telephone banking is based on operator. In this case the customer is a person responsible for the responders and guidance. Another type of telephone banking is based Personal computer that used a pc for contact system. Means someone using your computer is connected to the banking system. Many services can be received through telephone banking such as bills, demand note requests, transfer funds between customer accounts in different banks, the second payment, received financial advice that typically are provided by human operators system. The availability of this phone can be very useful for everyone.

5.4 Television Banking

In this method, using satellite TV customers delivers account information on its TV screen. The main point is that these services did not require the use of personal computers and this encourages the development of market systems. People like TV. This is an advantage for these services.

5.5 Mobile Banking

This approach has in fact developed to easy of internet banking and home banking. Mobile banking can be defined as a channel where customers can interact with the bank via a mobile device. In fact the financial services sector of the wireless internet to a digital input is possible and internet banking has expanded the concept to the mobile world. Mobile banking application used in two ways with SMS and internet .The result is fast delivery of new services are more efficient on the customers and banks.

6. CONCLUSION

With India's leadership in technology, one can only wonder why countries like Brazil with its correspondent banking system and the Philippines/South Africa with their m-banking solutions are so far ahead. It is evident that there is a huge gap between what our country reached so far and to be reached in near future in connection to e-banking. The next decade will be period of rapid change in banking sector. Many fundamental changes are going to take place which shapes the future of economy as a whole. Technology always plays a dynamic role in this connection. It will drive innovation and create new facilities and better ways to interact with customers and business models. Demographic shifts and the growth of small businesses will create tremendous opportunities for e-banking. Over the coming decade, customers will be more diverse and demand more useful insights and information. Their lives will be increasingly complex, and risk management for personal and small business finances, health and lifestyle planning will fall heavily on individuals' shoulders. By providing services that help customers manage their lives, financial institutions have an opportunity to build

trust and develop more sustainable – and profitable – relationships with their customers.

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