



## ORIGINAL RESEARCH PAPER

Commerce

### E-BANKING AS AN EMERGING AREA IN INDIA AND ITS CHALLENGES

**KEY WORDS:** E banking, Services, internet, payment, customers

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#### ABSTRACT

In this paper we will discuss about e-banking as an emerging sector in India. Information technology is considered as the key driver for the changes taking place around the world. The evolution of e-banking started from the use of Automatic Teller Machines (ATMs) and telephone banking (tele-banking), direct bill payment, electronic fund transfer and the revolutionary online banking. The future of electronic banking would be more interactive i.e., TV banking. Finland is the first country in the world to have taken a lead in e-banking. In India, ICICI Bank initiated e-banking services during 1997 under the brand name 'Infinity'. It has been forecasted that among all categories, online banking is the future of electronic financial transactions. The rise in e-commerce and internet in enhancing online security transformation and sensitive information has been the core reason for the penetration of online banking in everyday life. The shift towards the involvement of the customers in the financial service with the help of technology, especially internet, has helped in reducing costs of financial institutions as well as clients/customers who use the service at anytime and from virtually anywhere with access to an internet connection. The article presents an overview of e-banking, its evolution, and comparison of the internet banking facilities in Indian banks. The case study approach has been used to compare various banks for rendering different internet banking services to its customers. In this paper we will discuss about E banking and its opportunities which are currently available in India

#### INTRODUCTION

Electronic banking has many names like e banking, virtual banking, online banking, or internet banking. It is simply the use of electronic and telecommunications network for delivering various banking products and services. Through e-banking, a customer can access his account and conduct many transactions using his computer or mobile phone. In this article, we will look at the importance and types of e-banking services. A qualitative study of students' use of a specific form of electronic cash, namely. Attitudes and opinions were sought and the results presented within a theoretical framework of likely adoption. It was found that all students compared the performance of electronic cash with the traditional form of cash. Concludes that these issues will need to be addressed but that electronic cash may have advantages in certain situations and that marketing effort should be concentrated on identifying niche opportunities or bundling appropriate services onto the card to provide a relative advantage for increasingly discerning consumers.

#### E-Banking in India

In India, since 1997, when the ICICI Bank first offered internet banking services, today, most new-generation banks offer the same to their customers. In fact, all major banks provide e-banking services to their customers. Popular services under e-banking in India:

- ATMs (Automated Teller Machines)
- Telephone Banking
- Electronic Clearing Cards
- Smart Cards
- EFT (Electronic Funds Transfer) System
- ECS (Electronic Clearing Services)
- Mobile Banking
- Internet Banking
- Telebanking
- Door-step Banking

**Further, under Internet banking, the following services are available in India:**

**Bill payment** – Every bank has a tie-up with different utility companies, service providers, insurance companies, etc. across the country. The banks use these tie-ups to offer online payment of bills (electricity, telephone, mobile phone, etc.). Also, most banks charge a nominal one-time registration fee for this service. Further, the customer can create a standing instruction to pay recurring bills automatically every month.

**Funds transfer** – A customer can transfer funds from his account to another with the same bank or even a different bank, anywhere in India. He needs to log in to his account, specify the payee's name, account number, his bank, and branch along with the transfer amount. The transfer is effected within a day or so.

**Investing** – Through electronic banking, a customer can open a fixed deposit with the bank online through funds transfer. Further, if a customer has a demat account and a linked bank account and trading account, he can buy or sell shares online too. Additionally, some banks allow customers to purchase and redeem mutual fund units from their online platforms as well.

#### History

The first known deployment of home computer banking to consumers came in December 1980 at United American Bank, a community bank headquartered in Knoxville, Tenn. United American partnered with Radio Shack to produce a secure custom modem for its TRS-80 computer that would allow bank customers to access account information securely. Services available in its first year included bill pay, account balance checks, and loan applications, as well as game access, budget and tax calculators and daily newspapers. Thousands of customers paid \$25–30 per month for the service.

Large banks, many working on parallel tracks to United American, followed in 1981 when four of New York's major banks (Citibank, Chase Manhattan, Chemical and Manufacturers Hanover) offered home banking services using the videotext system. Because of the commercial failure of videotext, these banking services never became popular except in France (where the use of videotex (Minitel) was subsidised by the telecom provider) and the UK, where the Prestel system was used. The developers of United American Bank's first-to-market computer banking system aimed to license it nationally, but they were overtaken by competitors when United American failed in 1983 as a result of loan fraud on the part of bank owner Jake Butcher, the 1978 Tennessee Democratic nominee for governor and promoter of the 1982 Knoxville World's Fair. First Tennessee Bank, which purchased the failed bank, did not attempt to develop or commercialize the computer banking platform.

#### RESEARCH METHODOLOGY

In this study, Primary data is Compiled using structured questionnaire method along with reference of secondary data is collected from various research articles and certified

journal publication and certified websites. A draft questionnaire was prepared and administered to 50 people as the part of this study.

## OBJECTIVES OF THE STUDY

1. To study the challenges faced in E-banking in India.
2. To study the opportunities existing in E-banking in India.
3. To know the E banking tools

## Literature Reviews

RK Mishra, J Kiranmai (ICFAI Journal of Public Administration 5 )The article presents an overview of e-banking, its evolution, and comparison of the internet banking facilities in Indian banks.

**Electronic cash:** A qualitative assessment of its adoption. Article in International Journal of Bank Marketing A number of problems were encountered by students in relation to security, speed and complexity of use, although in some situations it was a preferred alternative.

## Types of e banking

Banks offer various types of services through electronic banking platforms. These are types:

**Level 1** – This is the basic level of service that banks offer through their websites. Through this service, the bank offers information about its products and services to customers. Further, some banks may receive and reply to queries through e-mail too.

**Level 2** – In this level, banks allow their customers to submit instructions or applications for different services, check their account balance, etc. However, banks do not permit their customers to do any fund-based transactions on their accounts

**Level 3** – In the third level, banks allow their customers to operate their accounts for funds transfer, bill payments, and purchase and redeem securities, etc.

## Mobile banking

Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct financial transactions remotely using a mobile device such as a smartphone or tablet. Unlike the related internet banking it uses software, usually called an app, provided by the financial institution for the purpose. Mobile banking is usually available on a 24-hour basis. Some financial institutions have restrictions on which accounts may be accessed through mobile banking, as well as a limit on the amount that can be transacted. Mobile banking is dependent on the availability of an internet or data

## NEFT (national electronic fund transfer)

National Electronic Funds Transfer (NEFT) is an electronic funds transfer system maintained by the Reserve Bank of India (RBI). Started in November 2005, the setup was established and maintained by Institute for Development and Research in Banking Technology (IDRBT).[1] NEFT enables bank customers in India to transfer funds between any two NEFT-enabled bank accounts on a one-to-one basis. It is done via electronic messages.

## Challenges Faced by E-Banking

**Competition:** The nationalized banks and commercial banks have the competition from foreign and new private sector banks. Competition in banking sector brings various challenges before the banks such as product positioning, innovative ideas and channels, new market trends, cross selling ad at managerial and organizational part this system needs to be manage, assets and contain risk. Banks restricting their administrative folio by converting manpower into machine power i.e. banks are decreasing manual powers and getting maximum work done through Machine power and specialized man power is to be utilized and result

oriented targeted staff will be appointed.

**Handling Technology:** Developing or acquiring the right technology, deploying it optimally and then leveraging it to the maximum extent is essential to achieve and maintain high service and efficiency standards while remaining cost effective and delivering sustainable return to shareholders. Early adopters of technology acquire significant competitive advances Managing technology is therefore, a key challenge for the Indian banking sector.

**Security Risk:** The problem related to the security has become one of the major concerns For banks . A large group of customers refuses to opt for e-banking facilities due to uncertainty And security concerns. Most of internet users are not using internet banking in India because of security concerns. So it's a big challenge for marketers and makes consumers satisfied regarding their security concerns, which may further increase the online banking use.

**Privacy risk:** The risk of disclosing private information & 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.

## Conclusion and Future Scope

**E banking** is an emerging sector in India. It play an vital role in commercial activities. we have discuss various type of tools of E-banking. E-banking makes the banking activities hassle free. But the another point is the sector have to face many problem like privacy issue and fear of theft and other issue like competition and technological changes yet it is growing fast.

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