



Role of E-banking in India: Challenges and opportunities

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Abstract

E-banking, otherwise called web based banking or virtual banking or web banking is a framework that empowers banking exchanges like exchange of assets, installment of credits and EMIs, store, and withdrawal of money practically with the assistance of the web. E-banking assumes an imperative part in the current financial usefulness. Electronic banking is gathered to be protected and gotten, contrasted with actual banking. It guarantees subjective financial activities contrasted with customary banking. E-banking in India is still in the beginning phases of development and advancement. Rivalry and changes in innovation have changed the essence of the financial area. With the assistance of e-banking, the financial area is acquiring consumer loyalty and unwaveringness. Banks ought to give their clients comfort, importance offering administration through a few dispersions channels and the accessibility of online administrations becomes more straightforward for the client.

Keywords: E-banking, internet, electronic payment, challenges, opportunities

Introduction

Banking today has become more straightforward and it has prompted a safe way for individuals to keep their well deserved cash in their financial balances. Innovation has diminished everything to a tick of a button and individuals can move cash starting with one record then onto the next account even without remaining in lengthy lines for quite a long time. There are various of choices accessible to individuals going from charge cards, Mastercards, e-wallets, web banking, and portable banking, etc which have supplanted the conventional techniques for exchanges. Prior the installment through electronic mode was confined to making gigantic and singular amount installments for huge worth exchanges and checks were the primary instruments of exchanges for quite a while before specialized developments occurred. Presently even trivial installments become simpler through e-banking making it more helpful for clients to settle their installments. The reception of e-banking administrations by clients empowers banks to get profits from their venture and give them a serious climate.

Review of literature

Ansari, Seharish J. & Khan, Nisar A. (2017) ^[4] have tried to analyze the progress and challenges of ebanking in India from 2011 to 2016, also throwing some light on the status of retail electronic payments in the post-demonetization period. Their study shows that the number of internet users has increased from 2,231,957,359 to 3,424,971,237 in 2016, which is around 53.45% increase during the period. Also, the penetration of internet as a ratio of population has increased from 31.8 % in 2011 to 46.1% in 2016. There has been a continuous increase in the number of debit card and credit card users. The number of transactions through credit card increased at a CAGR of 22.25% whereas the number of transactions through debit cards increased at a CAGR of 12.33% during the period of study. Post demonetisation i.e., from November 2016 to May 2017, RTGS (real time gross

settlement), NEFT (national electronic fund transfer) and UPI (unified payments interface) increased at a CAGR of 4.72%, 1.95% and 60.50% respectively. Mobile banking declined continuously. Their study also mentions the challenge of increasing number of internet users and the requirement of banks to be able to meet out the expectations of these tech savvy people.

Chauhan, V. & Chaudhary, V. (2015) focused on understanding the concept of internet banking and its benefits from the perspective of consumers as well as banks and the current scenario of internet banking. The growth percentage of mobile banking from 2010 to 2014 had been the highest that is 495.64% while credit cards had seen the least growth from the same period at 11.07%. NEFT and RTGS transactions were at 602.69% and 89.29% respectively. They concluded that most of the banks have implemented e-banking facilities that are beneficial both for the consumers and the banks but then there are issues of safety, security, and reliability which the banks must adhere to.

Manikyam, Ratna (2014) analyzed the impact of liberalization, privatization, and globalization on Indian banks and the resultant opportunities and challenges. The study revealed that the biggest challenges for banking challenge for the mass and companies and those Indian banks should come up with differentiated products to stand at par with foreign banks. Further, the study also emphasized building knowledge-driven organizations for surviving the competition from the banks globally. The above studies done on e-banking have focused on its progress and its challenges it. The concern is more on the technological aspects of banking. They have not focused on the digitalization of the banking sector and the various components of e-banking and how the economy will move towards being a cashless economy, given the present state of internet penetration and different schemes launched by the Govt. of India and RBI.

Research methodology

This research conducted research using secondary data listed in different databases of books, research papers, and related articles on the Internet on e-banking

Present status of e-banking in India

E-banking has become an integral part of the banking system in India. Before the 90's, the traditional model of banking i.e. branch-based banking was prevalent, but after that non-branch banking services were started. The credit of launching internet banking in India goes to firstly ICICI Bank. After that Citibank and HDFC Bank followed with internet banking services in 1999. The Government of India enacted the IT Act, 2000 with effect from October 17, 2000, which provided legal recognition to electronic transactions and other means of e-commerce. The Reserve Bank is monitoring and reviewing the legal and other requirements of e-banking on a continuous basis to ensure that e-banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability. According to a report of RBI in Jan. 2016, there are 196079 ATMs and 1337310 points of sale devices in India. To cope with the pressure of growing competition, Indian commercial banks have adopted several initiatives and e-banking is one of them. The competition has been especially tough for the public sector banks, as the newly established private sector and foreign banks are leaders in the adoption of e-banking. Indian banks offer to their customers the following ebanking products and services viz. Automated Teller Machines (ATMs), Internet Banking, Mobile Banking, Phone Banking, Tele banking, Electronic Clearing Services, Electronic Clearing Cards, Smart Cards, Door Step Banking, and Electronic Fund Transfer.

According to the RBI in its Annual Report 2020-21 stated that the payment systems recorded a robust growth of 26.2% in terms of volume on top of the expansion of 44.2% in the previous year. Here some of the major key facts are as follows:

Private sector banks represent about 67% of the POS terminal market while public sector banks account for 27%. Payments banks accounted for 5% market share, and foreign banks represented 1%.

The total number of cards in circulation stood at 960.25 million as of March 2021. Out of which, there were 898.20 million debit cards and 62.05 million credit cards, up by 8% and 7% YOY respectively.

There were 2.20 billion prepaid payment instruments in the country. Out of which, 189.93 million comprised of prepaid cards and over 2.01 billion comprised of mobile wallets.

The number of transactions through mobile wallets in Q1 2021 was 1.13 billion and the value was INR- 411.75 billion. This includes the purchase of goods and services and fund transfer through wallets. Transactions through wallets are growing steadily.

Consumers made 8.32 billion mobile-based payments whereas Net Banking / Internet browser-based transactions were over 937.60 million. In terms of value, INR 31.98 trillion was transacted through mobile while INR 131.34 trillion was transacted through the internet.

Out of total UPI volume, 55% of transactions were P2P (Person-to-Person) while 45% were P2M (Person-to

Merchant). It clocked over 2.73 billion transactions in volume and breached INR 5 trillion in terms of value.

The transactions volume passing through Bharat Bill Payment Central Unit (BBPCU) in Q1 2021 stood at 90.71 million while the value of the transaction was INR 134.70 billion. It registered a growth rate of 99% and 129% in volume and value respectively against Q1 2020.

AePS transactions (Offers, BHIM Aadhaar Pay) in Q1 2021 recorded a substantial volume of over 449.45 million transactions, registering about 120% growth over Q1 2020. It processed transactions worth INR 633.38 billion, an increase of 93% over Q1 2010.

Features of online banking

Check the account statement online.

Open a fixed deposit account.

Pay utility bills such as water bill and electricity bill.

Make merchant payments.

Transfer funds.

Order for a cheque book.

Buy general insurance.

Recharge prepaid mobile/DTH.

Challenges in E - Banking

Security Risk

The problem related to 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. According to the IAMAI Report (2006), 43% of internet users are not using internet banking in India because of security concerns. So it is a big challenge for marketers and makes consumers satisfied regarding their security concerns, which may further increase online banking use.

The Trust Factor

Trust is the biggest hurdle to online banking for most customers. Conventional banking is preferred by the customers because of a lack of trust in online security. They have a perception that online transaction is risky due to which frauds can take place. While using e-banking facilities lot of questions arises in the mind of customers such as: Did the transaction go through? Did I push the transfer button once or twice? Trust is among the significant factors which influence the customers' willingness to engage in a transaction with web merchants.

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.

Non- Performing Assets (NPA)

Nonperforming assets are another challenge to the banking sector. Vehicle loans and unsecured loans increase N.P.A. which terms 50% of banks retail portfolio was also hit due to upward movement in interest rates, restrictions on collection practices, and soaring real estate prices. So that every bank has to take care of regular repayment of loans.

Competition

The nationalized banks and commercial banks have competition from foreign and new private sector banks. Competition in the 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 managed, assets and contain risk. Banks are 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. Skilled and specialized manpower is to be utilized and result-oriented targeted staff will be appointed.

Opportunities in E-banking Untapped Rural Markets

Contributing to 70% of the total population in India is a largely untapped market for the banking sector. In all urban areas banking services entered but only a few big villages have the banks entered. So that the banks must reach in remaining all villages because the majority of Indians still living in rural areas.

Competitive Advantage

The benefit of adopting e-banking provides a competitive advantage to the banks over other players. The implementation of e-banking is beneficial for banks in many ways as it reduces costs to banks, improves customer relations, increases the geographical reach of the bank, etc. The benefits of e-banking have become opportunities for the banks to manage their banking business in a better way.

Internet Banking

It is clear that online finance will pick up and there will be increasing convergence in terms of product offerings banking services, share trading, insurance, loans, based on data warehousing and data mining technologies. Anytime anywhere banking will become common and will have to upscale, such up scaling could include banks launching separate internet banking services apart from traditional banking services.

Retail Lending

Recently banks have adopted customer segmentation which has helped in customizing their product folios well. Thus retail lending has become a focus area particularly in respect of the financing of consumer durables, housing, automobiles, etc., Retail lending has also helped in risks dispersal and in enhancing the earnings of banks with better recovery rates.

Conclusion

Digitalization has become conclusive for the banking sector in India, which plays a major role in providing better services to customers. Internet banking is one of the most significant banking channels that allow consumers to do many transactions, either financial or non-financial through a bank's websites. The various services offered are Internet banking, SMS banking, ATMs, mobile banking, e-cheques, UPI, and debit/credit cards. In today's world of globalization, e-banking is a significant aspect of the

development of the banking sector by solving major issues, challenges faced by e-banking. The Indian banking industry can develop customer loyalty towards the banking sector. This can be done through training and development and by making the banking process easier and familiar to the customers. The younger generation is beginning to see the convenience and benefits of e-banking. In the years to come, e-banking will not only be an acceptable mode of banking but will be preferred mode of banking in India. Private sector banks represent more of the POS terminal market as compare to public sector banks. The prepaid payment instruments in the country are mostly paid through mobile wallets. The Government of India and various government agencies are making an effort to make e-banking more safe, secure, and reliable with the convenience of digital channels. Most of the customers are visiting branches less often and they use online and mobile technology for their banking needs more often. Online and mobile banking are rapidly growing. Nowadays most of the people of India using e-banking for their transactions and make them stand with the current scenario of the country.

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