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## **E-BANKING – CHALLENGES & POLICY IMPLICATIONS**

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### **ABSTRACT**

E-banking system is growing its roots in developing countries like India. E-banking is the sign of the future. It provides many benefits both corporate and individual clients, in term of the comfort and cost of transactions. The present paper aims to highlighting various aspects of e-banking like, evolution of e-banking, progress of e-banking and challenges face by the Indian banking Industry. Further effort have been made to recommend policy implications to make e-banking more effective. The study is mostly based on secondary data and analytical in nature. To analyze improvement made by Indian Banking Industry in adoption of technology, I used averages, percentages and

simple growth rate to draw the outcome. The study concluded that in the near future e-banking is preferred mode of banking and undeniably overcome traditional banking.

### **Key Words**

E-banking, Indian Banking Industry, Traditional Banking.

### **Introduction**

Banks are playing very vital role in the country and have a important effect in assisting economic development through efficient financial services in the nation. After liberalization and globalization banks have been affected by drastic change in the Indian Banking system. In this regard banks elaborate on the choice of services offered to the fellow and enlargement their dependency on technology. Banking system have been remarkably affected by the consideration of technology. In Today's era, one cannot think about the success of any industry including banking industry without information technology. In present scenario bank operates in a highly globalized, liberalized privalized and a competitive environment. In order to survive in this environment banks have to use latest information technology. Information technology has introduced new business paradigm in Indian banking system. Information Technology is playing a more dominant role in enlarging the services in the Banking Industry. Indian banking industry has endorsed a marvelous growth due to vast changes that are taking place in the information technology. Electronic banking has arrived from such as contemporary development. Every second enlargement in information technology and its acceptability by the banks in India has enabled them to use IT extensively. IT revolution in banking sector has not only provided improved service to the customers but also declined operational cost. So, tremendous change in technology, high costs, security and data privacy issues, and lack of trained human resource are some challenges faced by commercial banks in India. E-banking is concerned with doing all transactions from home or office without visiting the branch, using ATM's telephones, internet and mobiles etc. for doing banking services. In the revolutionary progress took place in the field of

technology which has minimized the world to a global village and it has brought miraculous changes in the banking industry.

### **E-Banking**

The term 'electronic banking' or e-banking covers both computer and telephone banking. The term internet banking or E-Banking both are used as supplement. Hertzum et.al. (2004) defined E-banking as web-based banking. United Nations Conference on Trade and Development (UNCTAD) defined all dimensions of E-banking. Internet banking refers to the development over the internet of retail and wholesale banking services. It involves individual and corporate clients and includes bank transfers, payments and settlements, documentary collections and credits, corporate and household lending and business and some others. (UNCTAD-2002) E-banking is a generic term making use of electronic channels through ATM's, mobile phones, internet etc. for delivery of banking services and products. E-based banking is also known as cyber banking home banking and virtual banking and it includes various banking activities that can be conducted from anywhere. (Dhenadhyayalan 2010). Therefore, E-banking includes RTGS, NEFT, ECS, Credit Cards and Debit Cards, Cheques, ATM, Tele-banking, Internet banking and mobile banking.

### **Evolution of E-Banking**

E-banking came into existence in UK and USA in 1920's. It became famous during 1960's through electronic funds transfer and credit cards. The web based banking activity came into being in Europe and USA in the starting of 1980's.

### **E-Banking in India**

Since the late 1990's E-banking has developed from virtual insignificance to tens of millions of users worldwide (OECD 2001). In India e-banking is recent origin. Only in early 1990's there has been start of non branch banking services. The old manual systems on which Indian Banking System depended upon for centuries seem to have no

place in present scenario. The credit of launching internet banking in India goes to ICICI Bank. Citi Bank and HDFC bank followed with internet banking services in 1999. Many initiatives have been taken by the Government of India as well as the Reserve Bank to facilitate the development of e-banking in India. A high level committee under chairmanship of Dr. K.C. Chakrabarty and renounce member from IIT, IIM, IDRBT Banks and the RBI prepared the "IT Vision Document 2011-17" for development of banks, which provides road map for enhancement usage of IT in the banking sector. Hence, Indian commercial banks have adopted many new dimensions of IT and e-banking in one of them. Most of the public sector banks, new private banks and foreign banks are the apex body in the adoption of e-banking. Indian banks provided to their customers e-banking product and services is given here under :

1. Automated Teller Machines
2. Internet Banking
3. Mobile Banking
4. Phone Banking
5. Debit/Credit Cards
6. Electronic Fund Transfer.

### **Progress of E-banking in India**

In India, RBI outlined the mission to ensure that payment and settlement systems are safe, efficient, interoperable authorized, accessible inclusive and compliant with international standards. The vision is to proactively encourage electronic payment system for (ushering) in a less cash society in India. RBI has taken many initiatives in mid-eighties and early nineties outcomes in offering technology based solutions. The need evolved to provide cost effective alternative system. ECS-electronic clearing service was launched in 1990's to cater to bulk and repetitive payments. In September 2008 a new upgraded version of ECS was launched NECS- national electronic clearing service, on core banking solution of member banks. Payment based system vision document released by RBI the number of non cash transactions at 6 per person is low in India. It is estimated that Govt. subsidies alone constitute more than Rs. 2.93 trillion and

electronification has a potential to translate 4.13 billion electronic transactions in a year. Report is based on IAMAI internet and mobile association of India, internet commerce is expected to reach Rs. 465 billion by the year 2012.

### **Objective of the Study**

- To view the capability of evolution of E-banking.
- To examine the various e-banking services/ products adopted by the Indian banks.
- To analyze the growth made by Indian banking industry in adoption to new technology.
- To review the challenges faced by Indian banks in adoption and technology and make implications to intercept these challenges.

### **Research Methodology**

This research paper is mostly based on secondary data in analytical in nature. Data is collected from report of RBI Mumbai, annual reports, published articles, and internet is used extensively as a source of information. To determine improvement made by Indian banking industry in adoption of technology, averages, percentages and simple growth rate is calculated. In my study I have calculated simple growth on the basis of given hereunder.

$$GR = \frac{Y^C - Y^B}{Y^B} \times 100$$

Where  $Y^C$  -- indicates value of given parameter in current year.

$Y^B$  -- indicates value of given parameter in base year.

**Table No. 1****Automated Teller Machines (ATMs) of Scheduled Commercial Banks (As end of March)**

Year	On Site	GR	Offsite	GR	Total	GR	Offsite as %age of Total	On site as %age of total
2011	40,729*	-	33,776*	-	74,505*	-	45.3	54.6
2012	47,545*	16.74	48,141*	42.53	95,685*	28.43	50.3	49.7
2013	55,760	36.90	58,254	72.47	1,14,014*	53.03	51.1	48.9
2014	64,902	59.35	66,208	96.02	1,31,110	75.95	50.5	49.5
2015	76,252	87.21	77,789	130.31	1,54,041	106.75	50.5	49.5
Average	57,037.6		56,833.6		113871			

Source: Reports of Trends and Progress of Banking in India, RBI, Mumbai Various Issues.

\* Excluding IDBI Bank Ltd.

ATMs have transformed the concept of e-banking in India. ATM's are electronic machines which are operated by customer himself to withdraw or deposit cash. Entry of ATM's has changed the scenario of the branches of banks. There is no need for a client to visit branches for their day to day banking transactions. Electronic channels have opened new avenues for banks. The system is well known as 'Any Time Money' or Any Where Money from the bank from any of its ATMs round the clock. Table No. 1 indicates

the progress made by ATMs of scheduled commercial banks for the period 2011-2015. The on site ATMs and offsite ATMs through the number of both has increased in the period of 5 years. In percentage of offsite ATM's are more than outside ATM's. In 2015 number of total ATM's is 1,54,041 of total branches. Growth rate has remarkably increased in 2015 compared the 2011, as base year.

### **Challenges in Adoption of E-banking**

E-banking is covering following challenges in Indian banking industry.

- The most dominant issue interfacing by E-banking is that security, it is not safe and secure all the time, there may be loss of data due to technical problem.
- E-banking are facing challenges of Illiteracy and lack of computer knowledge and lack of internet confidence.
- E-banking are facing challenges of limited trained employees and improper use of technology.
- E-banking are covering challenges of trust, because consumer are not habitual, they want to have banking receipt.
- There is a lack of poor communication infrastructure, weak telecommunication, weak internet signals are the major challenges of E-banking.
- Legal and security is the most crucial part of E-banking lacking securitrial measures, lack of rules, regulations and cyber law.
- In E-banking mode of communication is only English, English language is the main hurdle to accept new things.
- E-banking is concern of economical mode, but in India average income per person is low so not able to achieve good communication equipment, because they needed heavy investment for develop infrastructure of internet services.

- E-banking facing services threat is that risk factor are associated with the part of client and host.

### **Implications of the Study**

- E-banking should create and attract consumer attention to internet services through better marketing and advertisement. Inform consumer about features advantages and benefits of internet banking especially it convenience.
- Provide consumer reassurance and information regarding trust of e-banking activities improve application security and privacy of the e-banking. To assist consumers in developing secure internet banking practices and risk management procedures so that enhance the e-banking.
- More attention should be given on appropriate network information infrastructure facility.
- To develop innovative consumer support solutions for e-banking and train branch staff in internet banking. Develop new dimension of knowledge management strategies.
- To offer incentives to business of facilitate internet banking in business house.
- To provide knowledge through seminar and workshops on the usage of e-banking especially for those who are computer illiterate, to boost up the e-banking.
- To assist and reduce the difficult streamline set up procedures and provided set up support to promote e-banking facilities in India.
- Government will make huge investments for developing network and information infrastructure for promotion of e-banking.

### **Conclusion**

In this study, I reached and believed that the e-banking is an essential tool for transparency, accountability, reduction of fraud and more importantly economic growth and development. In the coming year, e-banking will not only be acceptable mode of



banking but will be compulsory preferred mode of banking. In India Government has taken more initiatives to build-up use of the roadmap of e-banking. In India the utility of smart phones, personnel computers, laptops and internet connection are tremendously increasing it indicates people are using online services.

Most of the banks have their mobile apps and people handing most of their transactions through online services, it reveals that as the scope of e-banking are enhanced. It is concluded that there is no doubt that in the near future e-banking preferred mode of banking and undeniably overcome traditional banking.

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