

A STUDY OF ELECTRONIC BANKING IN INDIA

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ABSTRACT

The banking system in India is ever changing. It has changed with time and has not only made the economy stronger but also made the life of the customer much easier than before. Indian banking system has undergone a total change over the past 10 years. With the adoption of Information Technology, the banking business has reached a greater height. The advancement of electronic banking took place with use of automatic teller machines and later it developed to online banking. Through Electronic Banking, a customer can operate his account and do banking transactions from computer or mobile phone. Facilities delivered by the banks include bill payment, electronic transfers, debit cards, credit cards, mobile banking, telebanking and the like. This Paper focuses on the meaning of E-Banking, evolution, its functions, benefits, challenges and the future of banking in India.

Keywords: *E-Banking, Information Technology, Internet Banking, Electronic Transfers, Future Banking.*

Introduction

Banks plays a very significant role in the growth of a country. Banking sector in India used technology from late 1980's where there was a need to enhance customer service. Computerization gained pace in Indian banking sector during 1990's when private and overseas banks arrived the Indian market to digitalize and develop the services offered by the public sector banks to its clients. Government of India passed the Information Technology Act, 2000 to provide lawful recognition to automated transactions and other means of electronic commerce. The progress of internet banking started with use of automatic teller machines in India. With the help of technology there has been an upsurge in efficiency and productivity of banking services to customers. The banks are providing various services such as online fund transfers, online payment, online trading, balance checking and the like. Banking industry is ever changing to meet the competition and challenges in technology. Information Technology has not only changed the working environment but also the relationship with the customers.

E-banking

E-banking is a creation planned for the purposes of online banking that allows one to have easy and harmless access to bank account. E-banking is a safe, fast, easy and effective electronic service that permits one to operate bank account and to carry out online banking services, 24 hours a day, and seven days a week. Electronic banking has many names like Virtual Banking, Online Banking, Internet banking, Mobile Banking and House-hold Banking.

E-banking enables customers:

- To get statement of accounts
- To transfer funds
- To make utility bill payments
- Get electronic confirmation for all transactions executed by E-banking
- Management of credit cards
- To open new account and the like.

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Growth of E-Banking

The story of innovation in banking took place with the use of punched card machines like Book keeping Machines or Ledger Posting Machines. The use of innovation, at that time, was limited to keeping books of the bank. It further advanced with the birth of online real time structure and huge development in telecommunications during late 1970's and 1980's. It caused in a change in the field of banking with "convenience banking" as a catchword. Through Convenience banking, the banking service is passed to the doorstep of the client. The 1990's saw the birth of dispersed computing technologies and Relational Data Base Management System. The banking business was just waiting for these innovations.

E-Banking in India took its turn in the year 1991 when new economic policy was passed and which marked the entry of extraneous banks. ICICI was the principal bank to present internet banking to its clients in 1996. 1996 to 1998 were the years of net banking/digital banking implementation in India, but the practice of E-banking enlarged in the year 1999. E-banking has caused in dipping charges considerably and has assisted to generate revenue through innumerable channels.

Statement of the Problem

Technology is going to rule the banking industry in future. Indian banks lag behind when compared to international banks in providing online services to the customers. Indian banks should focus on continued change in technology. Customer expectations have also increased across all businesses including banks. Banks are trying to meet these expectations but couldn't match. Building a cyber-risk free ecosystem is a serious task for banking companies. This Paper focuses on the meaning of E-Banking, evolution, its functions, benefits, challenges and the future of banking in India.

Review of Literature

Deepak Kaushik, (2019) has identified the weaknesses of conventional banking and explores the consumer awareness, use patterns, satisfaction and preferences of E-banking and conventional form of banking.

Shubhara Jindal, (2015) has suggested ways for making E –banking successful in developing country like India. He has also given some recommendations to popularize E-banking products and services.

Mohanasundariand Latha, (2015) pointed the technology adapted by the Indian banks and has discussed the future trend and chances obtainable in E-banking in India.

Jeon and Kiyong, (2014) have said that consumers desire bigger banks for their banking services to decrease their conveyance cost as they have many ATM center's crosswise the country.

Karimzadeh, (2012) examined the trials and chances in Indian banking sector. He found that there was no significant relationship between age and use of cyber banking.

Prema, (2011) found that the hours of computer usage, internet usage frequency and hours of internet browsing were found to be significantly higher among users of banking facilities when associated to nonusers.

Objectives of the Study

- To study the present position of E-banking in Indian banking Sector
- To discuss the future of E-banking in India

Research Methodology

The present study is explanatory in nature and is based on secondary data. The data used for the study has been collected from annual reports of RBI (Reserve Bank of India), Report on trends and progress of banking in India, websites of RBI, reputed journals and newspapers.

Functions of E - Banking

Electronic Banking provides following services

- **Bill Payment:** Every bank has a tie up with insurance companies, service providers, utility companies and the like. Banks use this tie up to offer online payment of electricity bill, telephone bill, mobile bill etc., and Banks charge a very minimal fee for providing these services.
- **Fund Transfer:** A customer can transfer funds from his account to another with the same bank or even a different bank, anywhere in India.

- **Investment:** Through electronic banking, a customer can open a fixed deposit with the bank online through funds transfer. A customer can buy and sell shares if he has a demat account and trading account. Banks also allow customers to buy and redeem mutual funds through online platforms.
- **Shopping:** With digital banking service, a customer can purchase goods or services through online platforms and pay for them using his account.
- **Checking account balances:** The customer can check his account balance and detail records of transaction history and can download the report.
- **Mobile banking:** Mobile banking is a facility provided by banks which permits its customers to do monetary transactions using a mobile device such as smartphone or tablet.
- **Unified Payment Interface (UPI):** Unified Payment Interface is an immediate real time payment system which is established by National Payment Corporation of India. Customers can make transactions through their mobile phones from anyplace and at any time.
- **Rewards and Loyalty points:** These virtually integrated packages test conventional methods of customer attainment and retention by familiarizing cost effective and computable, rewards and incentives.
- **Message Alert:** The most important features of E-banking are that the customer can receive notifications real time.

Benefits of E-Banking

The advantages of E –banking are:

- Saves a lot of working cost
- It provides banking services 365 days a year and 24/7 a day
- It saves time spent in a bank by customers as they need not go to bank, to get banking services.
- Electronic banking provides way for international banking
- Banks can offer customized services to customers
- Banking integration allows the banks to compete in new market, build strong customer base, get new customers and increase their market share.

Challenges in E-Banking

Below are some of the challenges handled by the banks due to digitalization

- **Privacy:** One of the important factors that customers are afraid when selecting E-banking services are, the risk of disclosing private information.
- **Security:** Customers want their transaction to be confidential. But there is constantly a chance of someone retrieving the information.
- **Competition:** Nationalized banks and commercial banks have to contest with private sector banks and international banks. The competition brings various challenges before the banks such as innovative ideas, creative concepts, consumer patterns and the like.
- **Unskilled Professional:** Skilled and specialized manpower has to be appointed to perform E-banking activities.
- **Technological Changes:** Technology keeps on changing. As technology changes more banking services are getting digitized. It becomes difficult for end users to learn all these technological changes.
- **Cybercrime:** Cybercrime is the use of digital instruments for illegal purposes. One can do such crime sitting comfortably in front of a computer or mobile screen. The risk has increased to both the bank and the customer

Future of E-Banking in India

The future banking industry will look different from what it is today due to its dynamic changes. The pandemic has completely changed the way from how people shop, travel, work, to even how we bank, and has also brought a change in consumer behavior. The Financial Technology (Fin Tech) startups have revolutionized this transformation with innovative products and services to suit the diverse customer base. In India, banks often ensure to incorporate new technologies in their business and operations. ATMs, virtual banking, mobile banking, point-of-sale (POS) machines were initial technologies that banks implemented. Now, FinTech companies have appeared as disruptors in the financial service sector by including a number of leading-edge technologies in their products and service offerings.

The term Fintech (Financial Technology) denotes to program and other current technologies used by industries that offer computerized and enhanced financial services. The advent of current technologies such as Artificial Intelligence-Machine Language(AI – ML), big data, blockchain, cloud computing, robotic process computerization and others allow the banking companies to provide customer-centric assistances to varied clusters of people.

The new-age technologies are explained below:

- **Artificial Intelligence and Machine Language:** The use of AI and ML will offer predictive data analysis as banks and financial institutions will look to offer better services.
- **Big – data:** Big data allows banks to create useful insights from unstructured financial and personal data composed from various sources in order to launch more customer-friendly products and services as well as expand banking operations.
- **Block Chain:** Block chain, sometimes referred to as Distributed Ledger Technology (DLT), makes the history of any digital asset unalterable and transparent through the use of decentralization and cryptographic hashing.
- **Cloud Computing:** Cloud computing can support banks and financial services companies with enlarged data security, error tolerance, and tragedy retrieval for financial companies. It offers a high level of redundancy and back-up at a reasonably lesser price than conventionally accomplished solutions.
- **Robotics Process Automation:** Robotic Process Automation (RPA) is used by banks and other financial organizations to mechanize labor-intensive business methods so the banks can continue modest. It is the use of grouping of robots and Artificial Intelligence (AI) to change and supplement human processes in banking.

Conclusion

Banking business and Banking process is quicker than before and more dependable. Maintenance and recovery of documents and records have become much quicker and easier. Electronic banking has improved the core banking system. It has presented more lucidity in banking. The scope of frauds in banks is minimized through the use of passwords, dual verification in virtual banking. Technology also leads to compete among the banks which lastly offer better facilities to people. Technology will last to change and new ideas like augmented reality will further readdress the banking services. Banks should be able to catch the new technologies with a sense of top priority

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