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ELECTRONIC BANKING IN INDIA: AN EVALUATION OF OPPORTUNITIES AND THREATS FOR CUSTOMERS

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ABSTRACT

Banking industry is the backbone of economic development of a country. It is one of the highest contributors to the development of the economy. But as of now, traditional banking is not enough to serve the purpose. The intervention and support of information and technology in every walks cannot be underestimated. Information and technology has changed the overall definition of banking today. The 21st century has brought about an all-embracing convergence of computing, communications, information and knowledge which has radically changed the way one works, thinks and lives. This transformation has changed the banking industry from rags to riches. Thanks to the technology. But the underlying fact that technology has laid to lot of challenges also cannot remain unreve-



aled. Along with transaction ease, convenience in operations, speed and efficiency in implementation, electronic banking has also brought along with it some drawbacks. It is very necessary to understand that only because electronic banking is providing an array of multi diverse products and services, one cannot overlook the possible threats associated with it. This paper tries to make an effort to identify the opportunities and threats put forth by Electronic Banking for the customers. Future research may include to identify the opportunities and threats put forth by Electronic Banking for the banking fraternity.

KEYWORDS: Traditional banking, Electronic banking, internet banking, online banking, information and technology, opportunities and threats.

1. INTRODUCTION :

Banking industry is the mainstay of economic development of any country. It is the one of the strongest attributes among the various contributors towards the development of any nation. They have the prime, foremost and significant role in shaping the country's economy. For functioning this purpose, they play different roles on different fronts. To be comprehensive, in the first instance, the participation of banks in

economic development focus around providing credit and services to public. They support strong generation of employment opportunities. They promote saving habits among the people. They help capital formation and promotion of business, trade and industries. Further for the economy like India, where agriculture becomes the lifeblood, banks also promote agricultural sector by providing loans and advances with low rate of interest compared to other loans and advances schemes. Thus, these and many other functions performed by bank act supportive in the socio-economic development of the country. But time is the spectacular to witness the changing scenario of banking today. The timely intervention and support of information and technology has changed the overall definition of banking today leaving no pave for traditional

banking anymore wherein the bricks and mortar banks are already realising its chances of exit. Technology is now speaking the language of banking today. Technological advancement has made internet banking or say electronic banking for that case, unlock the widespread accesses of opportunities and prospects for banking domain which further reflects the customers of the banks as well. Along with influencing the financial sector of a country, internet banking has revamped the entire operational environment of the banking. There is greater propensity of customers to move towards digital channels. Banks which develop digital capabilities are going to benefit. Customers recognize greater convenience through digital channels. However, banks will need to cope up with issues of customer service and frauds which are associated with digital channels. This paper is an attempt to evaluate the various opportunities and threats laid down by the evolution and operation of electronic banking for the customers. It is a sincere attempt to impart certain contribution to the available literature over Internet Banking.

2. REVIEW OF LITERATURE

This is a platform where various research work done under this particular topic is focused which also helps to understand its significance. Here various approaches with context to Internet banking has been thoroughly reviewed to understand the crux of the topic undertaken.

According to Danial, (1999), Electronic banking is defined as the provision of banking services to customers through the internet. Bank when offers its set of services by means of internet i.e. using internet media it is termed to be internet banking. Allen et al (2002) gave the definition of E-banking with a terminology as E-financing saying that "it is the provision of financial services and markets using electronic communication and computation". He has focused on the idea of removal of geographical boundaries between different financial institutions due to electronic means for transactions the services and the product are now offered with more efficiency and quality. Further Onay et al (2008) in their research on Turkish banks has reached to the conclusion that e-banking has a positive impact on the profits of banks. He has put forth the conclusions of his study saying "Internet has changed the dimensions of competition in the retail banking sector. It has also provided opportunities for emerging countries to build up their financial intermediation infrastructure. Investment in e-banking is a gradual process. The internet banking variable has had a positive effect on the performance of the banking system in Turkey." Some other researchers have tried to analyse the consumer's side in light of E-banking. Birch and Young (1997) has put forth the results of their studies saying that consumers basically seek for transactional efficiency, choice for core and non-core banking products and access to competitive prices and returns. Haq & Khan (2013) analysed the challenges and opportunities in the Indian Banking sector. The study showed that only 28 per cent banking clients were using internet banking after evaluating the population characteristics. Gupta & Mishra (2012) in their research have inspected the new and different dimensions of emerging trends of E-banking in Indian banking industry. As per the findings of this study, there are many challenges faced by banks in E-banking and there are many opportunities available with the banks. Further the study has also suggested that the banking sector will need to master a new business model by building management and customer services. It has also proposed the contribution banks need to make towards rendering better services to their customers. Chavan (2013) has pronounced the benefits and challenges of Internet banking in an emerging Indian economy. The study observed that online banking is now replacing the traditional banking practice. It showed that online banking has a lot of benefits which add value to customer's satisfaction in terms of better quality of service offerings and at the same time enable the banks gain advantage over the competitors. It has also discussed some challenges in an emerging economy. Shastri, R (2001), in his work entitled "Technology for Banks in India Challenges" has discussed about the effect and challenges that has been given rise by use of new technology for banks in India. In this study, it has been focussed technology that has brought a sea change in the functioning of the Indian banks. Here the aspect that automated new technology saves a lot of time and effort which simultaneously helps in better performance of the banking sector, has been put light on. Yibin, M (2003), studied the significance of e-banking from society's point of view, wherein the study aimed at identifying the status, trends, challenges and policy issues of e-banking.

3. OBJECTIVES OF STUDY

- 1.To study the history and evolution of Electronic Banking in India.
- 2.To study the opportunities available for customers in using Electronic Banking.
- 3.To study the challenges faced by customers in using Electronic Banking

4. RESEARCH METHODOLOGY

The present study undertaken is purely descriptive in nature. The data used to collect the necessary information supporting the study is secondary data. For the purpose of collecting the information various secondary sources of information such as articles published in journals, books by various authors, reports and websites relevant to the topic at exposure etc. was referred.

5. HISTORY AND EVOLUTION OF ELECTRONIC BANKING

Electronic Banking is a revolution in the history of banking not only in India but all over the world. This technological revolution has changed the entire banking scenario on the global plinth. One has to glance through the history of Electronic banking to understand the concept. Electronic banking was first introduced in late 80's. During its initial stage, Electronic banking was made effective with the use of a terminal, keyboard and a monitor. But in real terms, Electronic banking services got its shape in the year 1981 in New York when four of the city's major banks (Citibank, Chase Manhattan, Chemical and Manufacturers Hanover) offered home banking services using the videotext system. Gradually the concept of videotext became popular in France. Through this system, a customer got an access to an outstanding facility to make bill payment for utility services such as gas, electricity and telephone bills etc.

Indian banking sector has many outstanding achievements to its credits. Electronic Banking is one amongst them. The channels of communication, customers use to interact with their respective banks have changed enormously. Banks also have moved from their old traditional style of banking to banking with a difference i.e. Electronic Banking. The credit of launching Electronic Banking in India goes to a bank from Private sector, i.e. the ICICI Bank. Later on the Citibank and HDFC Bank caught hold of electronic or internet banking services in the year 1999. Government of India as well as the apex bank, Reserve Bank of India have been witnessed to be taking several hard core efforts in order to facilitate the development of electronic banking in India. Electronic Clearing Service (ECS) was launched in 1990s to cater to bulk and repetitive payments. The retail funds transfer system was also introduced in 1990s to allow electronic transfer of fund for people to people payment. 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 electronic commerce. . In November 2005, a robust system was launched to allow one to one funds transfer requirement of individuals and corporates. By September 2008, a new avatar in the form of National Electronic Clearing cell was launched to handle multiple credits to beneficiary accounts. National Electronic Clearing Service (NECS) rides on core banking solution of member banks 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 is being looked upon by the Reserve Bank. Electronic Banking can be recognised as the symbol of meticulous efforts put down by the Indian banking sector with an intention to combat the ever mounting competition in the market, especially from the foreign banks.

The trend of Non-Branch-Service Delivery in banking started with the growing popularity of electronic payment services. Firstly, it started with Electronic Funds Transfers (EFT). Then credit cards came. ATMs and smart cards were next in the evolutionary history. Gradually, with the advance of computing technology, telephone banking and Computer Telephony Integration (CTI) became a powerful medium of delivering banking services. The latest product is Electronic banking, where the technology and other issues are still under evolution.

4.MEANING OF ELECTRONIC BANKING

In a common parlance, Electronic Banking is conducting of banking transactions electronically with the use of computerized systems, with an intention to speed up operations with effective reduction of costs

simultaneously. The terms parallel and interchangeably used in some or the other context are electronic banking, personal computer (PC) banking, Internet banking, virtual banking, online banking, home banking, remote electronic banking, and phone banking.

Electronic banking refers to the use of Internet as a remote delivery channel for banking services such as opening a deposit account or transferring funds at different accounts etc. Development of internet banking has been a long journey of success for Indian banks. Nowadays, one can also use internet banking on their mobile phones using a Wi-Fi or 3G, 4G connection. With the ease of availability of cyber cafes in the cities, it has become so popular and comfortable that it has become one of the necessity rather than a facility for the customers. It starts with setting up of a web page by a bank to give information about its product and services. With the help of this website, banks create its physical presence in the world of internet. Banks try to please their customers by providing advancement in facilities such as accessing accounts, online funds transfer, enabling integrated sales of additional process and access to other financial services such as investment and insurance. Further electronic banking has stepped forward adding more to their success by providing banquet services through Internet banking such as e-tax payment; online trading of shares, online remittance of money, electronic bill payment system, railway reservation, transfer of funds from one customer's account to other, application of loan, etc. thus banking today is nowhere restricted to the premises of the bank where the customer needed to physical visit the bank for his banking transactions. Thus all the banking transactions such as applying for opening an account with the bank, deposit or withdrawal of cash, enquiring for account balance, transferring money from one account to other, request for account statement, request to stop a payment and many more have now become the matter of just a small click. Thanks to technology.

7. OPPORTUNITIES OF ELECTRONIC BANKING TO CUSTOMERS

Electronic banking has become the pulse of life of bank and its customers. It has by default become the accepted norm of monetary transactions for millions of customers from past decade. It has provided host of financial as well as non-transactional features to its customers. We can enlist the advantages of electronic banking over the traditional means of banking as below:

1. Convenience: The most important benefit provided by electronic banking to its customers is none other than the ease and convenience of operations. Since transactions through electronic banking can be carried out anytime round the clock i.e. 24*7, and anywhere such as from home, office, mobile or an internet café, where internet connectivity can be accessed, it is very convenient for a customer to use this facility. Apart from this, all sorts of information required by the customers are available at just click of few buttons. One does not need to stand in a long queue to make any payments or withdraw money from his account. Updating of passbooks has now become a very old practice. People those who can hardly manage visiting their bank during working hours probably due to their busy schedule, electronic banking is just blessing. Thus easy, faster, efficient banking transactions that result in effective banking is the crux of electronic banking.

2. Transfer of funds between accounts: In traditional banking transferring funds from one account to other was a quite lengthy process that consumed almost more than 24 hours. But with the advent of electronic banking, this task has reached its epitome. For individual customers or business organizations, transferring funds from one account to other has just become the job of fraction of seconds today. Equally geographical boundaries nowhere exist due to introduction of electronic banking practices. Now one can transfer money across the state as well as nation also. Simultaneously managing more than one account is not a big deal rather.

3. Monitoring of transactions: Online banking also helps one to monitor his banking transactions quiet easily from one place of course. Tracking your transaction once it is in process and the account history can be quickly accessed. It also allows you to find out about unauthorized transactions more quickly. This can help you to resolve the issues, if any. Some banks will show you pending transactions, along with the transactions made for that day. Thus accessing and monitoring account transactions is faster and easier with online banking. This is also supportive to trace fraudulent activities and threats in time before they cause severe harm to the customer.

4. Better interest rates: As the banks undergo comparatively reduced operating costs due to the intervention and application of electronic banking in their system, they can comfortably manage to give better interest quotes for

their customers. Customers are provided with higher interest rates on their savings while reduced interest rate on their loans and advances.

5. Easy access to information: With the option of internet banking, customers today have the ease of getting all the required information regarding their bank as well as their bank account such as changes in services of banks, special schemes, special offers and benefits etc. The first handy source of information is the bank's website. Simultaneously, bank's customer care toll free number is another trustworthy and quick source.

6. Eco-friendly transactions: Since the transactions carried on in electronic banking eliminate or reduce the use of paper in their operations, it promotes eco-friendly banking activities. Further by also reducing a large number of people travelling from place to place to fulfil their banking requirements, it diminishes pollution in the environment. Thus it encourages eco-friendly banking throughout the country.

8. THREATS OF ELECTRONIC BANKING TO CUSTOMERS

Electronic banking even though exclusive of its kind has not escaped from the criticism of the customers as it poses with it some of its threats and challenges for the customers. This can be viewed in the following points:

1. Difficult for a beginner: Even though it appears to be quite attractive aspect of the bank, as a beginner to make use of electronic banking services provided by the bank, is just a difficult task for a common man. Understanding the way of using electronic methods for their banking needs is very challenging. So there are chances for a customer to waive his utility of electronic banking facility for the moment.

2. Lack of computer literacy: Electronic banking is of no use for a person who lacks in computer literacy. He should be efficient enough to handle the technical jargons while using online banking services, absence of which may discourage a customer to use electronic banking.

3. Lack of Internet access: Internet connection is the pre-requisite of using electronic banking services provided by the bank. In absence of access to internet such as in rural areas, it is impossible to use these services. For that matter, not all may be able to have internet accessibility so easily.

4. Server problems: Many times it is observed that a customer highly keen to use these services become helpless when there is server problem at the host bank. Access to electronic banking services instead of turning out to be a time saver activity results into a time consuming outcome which at times lead to high level of irritation on the part of the respective customers.

5. Security of transaction: Security of customer's transaction is a big threat on the part of the customer which often acts as a barrier for using the full-fledged online services of the bank. Customers are highly worried about their security issue. Customers are always under the impression that the information of their account may get hacked by some or the other way and may be misused. Lack of proper password security may give rise to several unrepairable problems for the customers. This is the greatest threat confronted to customers by online banking services.

6. Traditional mind-set: Even though the application and implication of online banking has success to its credit, still there are people in the society who deliberately don't want to go for change. They are still happy and satisfied with their traditional way of banking practices, specially the age old customers. Customers still like to see who they are dealing with. When you go to a high street bank you will be greeted by friendly, well-trained staff. There is no such personal contact when you only use the online service. Some customers still love that personal touch of their bank. Changing this mind-set of people is very difficult.

7. Complex transactions: Many complex transactions demand to be sorted out by way of face to face discussion with the concerned bank authority which is not possible through internet banking. To solve certain specific issues and complaints requires physical visit to the bank and cannot be achieved through the internet. Electronic banking gets paralyzed when it comes to resolving complex service issues. This is another greatest pitfall for electronic banking.

9. CONCLUSION

Electronic banking like other services does have its set of pros and cons. However, it's not only the wave of the future, it's the wave right now, and the clock isn't likely to go backward. It is definitely a significant move in

the right direction as far as the convenience of the customer as well as the banker are concerned but it must be applied with adequate precaution to avoid falling prey to unscrupulous elements poaching the internet. If you take reasonable care to safeguard your personal and financial information, you'll likely find that application and implication of electronic banking is a convenient tool that will always bring you pleasure and comfort. Gradually a time will come when we ourselves may take a pause and recall as to how did we manage in absence of Electronic Banking. Although the internet and mobile does not completely replace other channels, one has to agree that they have become the governing means for consumers to interact with their banks. Thus, there is no doubt that in the near future electronic banking will undeniably overcome traditional banking.

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