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## E-BANKING: CONCEPTS, BENEFITS & CHALLENGES IN INDIAN CONTEXT

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### ABSTRACT

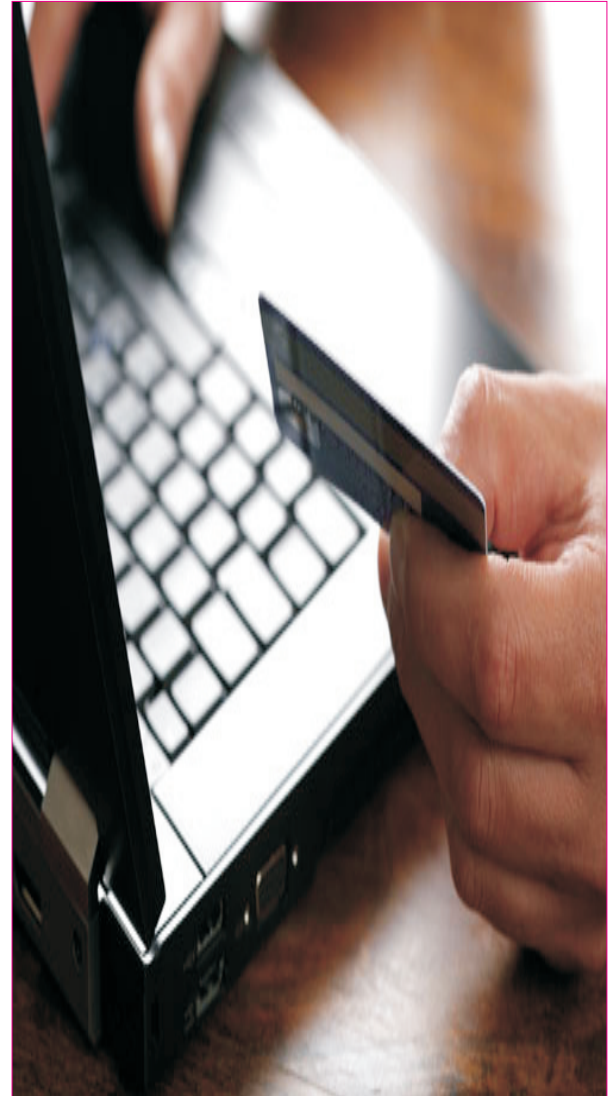
**E**lectronic banking is the wave of the future. It provides enormous benefits to consumers in terms of the ease and cost of transactions. But it also poses new challenges for country authorities in regulating and supervising the financial system and in designing and implementing macroeconomic policy. The aim of this present paper is, not only to understand the meaning of electronic banking but also to highlight the benefits and challenges of E-banking in Indian context.

**KEYWORDS:** Electronic banking , macroeconomic policy , benefits and challenges of E-banking.

### INTRODUCTION :

The advent of E-Business accompanied with technological innovations and globalization is constantly propelling the businesses organization to redefine their business operations in terms of value chain reengineering and restructuring business models. The famous quote by Bill Gates that banking is vital to a healthy economy, but banks themselves are not, highlights the crucial nature of the electronic forces that are affecting banks more than any other financial service provider group. This transition of business operations by banks have created new mode of operation called E-Banking.

E-banking is the banking of new era. The term Internet Banking or E-Banking Internet both are used as supplement. Making banking products and other services available to wholesale and retail customers, through an electronic distribution channel is called e-banking. In other words E-Banking refers to the banking operations, which is done over World Wide Web. E-banking is the outcome of technological innovations and competition. In fact, banks have been using electronic and telecommunication networks for delivering a wide range of value added products and services. The devices have been telephone, personal computers including Automated Teller Machines (ATM). The delivery channels have been direct dial up connections, private and public networks. To this newer edition of e-banking are being added e.g. Internet banking and mobile banking. The use of ATM's lead to the concept of 'anywhere' and 'anytime' banking. Through the use of ATM cards, one can operate his bank account to withdraw money from any of bank's ATM installed or available at the nearest site. This had broken down the time and space barriers. The new banks are providing some of the services exclusively through ATM's. The growing popularity of personal computers, easy access to internet and world



wide web (WWW), has increased the use of internet by banks as a channel for receiving instructions and also delivering their products and services to the customers. This is generally referred to as 'Internet banking' or I-banking or Net Banking. This is one of the newer forms e-banking which is gaining popularity. So, we can say that Internet banking is about using banking facilities via the internet with the help various electronic devices.

### BENEFITS OF E-BANKING

- **Less waiting time:** It offers less waiting time and more convenience as compared to the traditional banking system and significantly lowers the cost structure than traditional delivery channels. It also reduces the time and place limitation and it provides various benefits to consumers so that they feel convenient while doing banking activities.
- **Ease and Convenience:** Internet banking is considered as more efficient in term of ease of use and access. It allows the consumers to make transactions on internet provide them comfort of home or office without going outside. It also enables consumers to keep an eye on their transactions or account activities from their home, office or elsewhere so they can feel satisfied and convenient. Even non transactional facilities like ordering check books online, updating accounts, inquiring about interest rates of various financial products etc. have become much simpler on the internet.
- **24\*7 Availability:** With the help of internet banking, customer can access their banking facilities and services all around the clock i.e. 24 hours and 365 days from anywhere anytime. They don't need to wait for timing of bank branches.
- **Self-service channel:** Internet banking provides their customer a self-service channel for various banking services they have not to depend on the bank's staff and other depending process to avail their services. Internet banking is one of the most popular self-service banking technologies. Continued use of self-service technology is positively affected by buyers' perceived usefulness.
- **Save time and money:** Now customers don't have to go to branch to avail banking services it consist various advantages such as: it will save time, save fuel, do away from traffic, save the environment in term of reducing the use of motor vehicles and reduce waiting time.

### CHALLENGES IN E-BANKING

- **Implementation of global technology:** There is a need to have an adequate level of infrastructure and human capacity building before the developing countries can adopt global technology for their local requirements. In developing countries, many consumers either do not trust or do not access to the necessary infrastructure to be able to process e-payments.
- **Strengthening the public support:** In developing countries, in the past, most e-finance initiatives have been the result of joint efforts between the private and public sectors. If the public sector does not have the necessary resources to implement the projects it is important that joint efforts between public and private sectors along with the multilateral agencies like the World Bank, be developed to enable public support for e-finance related initiatives.
- **Confidentiality, integrity and authentication:** These three are the very important features of the banking sector and were very successfully managed all over the world before the coming of internet. Communication across an open and thus insecure channel such as the internet might not be the best base for bank-client relations as trust might partially be lost. Internet banks collect and keep some very important personal information from each client. As Internet technology advances, so does the ability of criminals to hack into an Internet bank and steal important client information, according to financial expert Steve Ellis, writing on the Computer World website. Internet banks must constantly update security measures and stay updated on the latest viruses and hacker tools in order to protect client information.
- **Customer Satisfaction:** In today's competitive world, satisfaction of customers is a major challenge for the banking sector because customers have alternative choices in various types of services provided by banks.
- **Availability of Personnel services:** In present times, banks are to provide several services like social banking with financial possibilities, selective up gradation, computerization and innovative mechanization, better

customer services, effective managerial culture, internal supervision and control, adequate profitability, strong organization culture etc. Therefore, banks must be able to provide complete personnel service to the customers who come with expectations.

- **Non- Performing Assets (NPA):** Nonperforming assets are another challenge to the banking sector. Vehicle loans and unsecured loans increases 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 have to take care about regular repayment of loans.

- **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 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 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.

- **Other Challenges:** a) Coping with regulatory reforms b) Development of skill of bank personnel c) Customer awareness and satisfaction d) Corporate governance e) Changing needs of customers f) Keeping space with technology up gradation g) Lack of common technology standards for mobile banking h) Sustaining healthy bottom lines and increasing shareholders value i) Structural changes j) Man power planning

## CONCLUSION

While electronic banking can provide a number of benefits for customers and new business opportunities for banks, it exacerbates traditional banking risks. E-banking offers a higher level of convenience for managing one's finances even from one's bedroom. However, it continues to present challenges to the financial security and personal privacy. Many people have had their account details compromised, as a result of online banking. Thus, if one is going to use it for financial transactions, he should be aware of the risks involved. Awareness of the risks and problems enables him to take precautions for a more secured online banking experience.

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