



E - BANKING CHALLENGES & OPPORTUNITY

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ABSTRACT :- Financial sector plays an important role in the economic development of a country. Banking is the lifeline of an economy. A strong and healthy banking system is important requirement for economic growth. Indian banking industry, today is observing an IT revolution. The implementation of internet in banking organizations has modernized the banks. Implementing the internet banking approach has benefited the both i.e. consumers as well as banks. Considering the benefits, the banks all over the globe have implemented the internet banking and banking organizations in India are no exception. The competition among the banks has led to the increasing total banking automation in the Indian banking industry.

KEYWORDS: E-Banking, Information Technology, Internet Banking, India.

INTRODUCTION

Information Technology has become a necessary tool in today's organizations. Banks today operate in a highly globalized, liberalized, privatized and a competitive environment. IT has introduced new business paradigm. It is increasingly playing a significant role in improving the services in the banking industry. Indian banking industry has witnessed a tremendous developments due to sweeping changes that are taking place in the information technology. Internet Banking refers to a system allowing individual customers to perform banking activities at off-bank sites such as home, office and other locations via internet based secured networks. Internet or online banking through traditional banks enable customers to perform all routine transactions, such as account transfers, balance inquiries, bill payments and stop-payment requests, and some even offer

online loan and credit card applications. Internet banking is a web-based service that enables the banks authorized customers to access their account information. With the rapid development of technology, internet plays a significant role in changing the banking scenario. It provides an online platform for various banking transactions through which it offers various services like online payment, online fund transfer, online stock trading and online shopping etc. Now a day's most of the commercial banks have launched various services through internet banking including latest service like opening online saving accounts and demand for these services is increasing rapidly.

OBJECTIVES OF THE STUDY

1. To study the current status of financial innovations in Indian banking sector.
2. To identify various e-banking services/products adopted by India
3. To study the challenges faced in E-banking
4. To study the opportunities available in E-banking

MEANING & DEFINITION OF E- BANKING

“A method of banking in which the customer conducts exchange transactions electronically via the using Internet.”

Internet banking (e-banking) facilitates customers to avail various small and large value banking products and services through electronic channels. Internet banking comprises banking activities or services which can be avail by the customers at any point of time and from any places with their convenience, it is also called PC banking, online banking, cyber banking, virtual banking, etc . Internet banking delivers banking services through the open access computer network i.e. Internet, directly to customers' home that can be used with different electronic devices such as personal computer, mobile phone with a browser or desktop software, digital television .

E-BANKING

E-banking is the term that signifies and encompasses the entire sphere of technology initiatives that have taken place in the banking industry. E-banking is a generic term making use of electronic channels through telephone, mobile phones, internet etc. for delivery of banking services and products. The concept and scope of e-banking is still in the transitional stage. E-banking has broken the barriers of branch banking.

CHALLENGES IN E-BANKING

- **Security Risk:** The problem related to the 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's a big challenge for marketers and makes consumers satisfied regarding their security concerns, which may further increase the online banking use.

- **The Trust Factor:** Trust is the biggest hurdle to online banking for most of the customers. Conventional banking is preferred by the customers because of lack of trust on the 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 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 at lower side in 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 barrier in the development of e-banking.
- **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.

- **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.
- **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.

OPPORTUNITIES IN E-BANKING-

- **Untapped Rural Markets:** Contributing to 70% of the total population in India is a largely untapped market for banking

sector. In all urban areas banking services entered but only few big villages have the banks entered. So that the banks must reach in remaining all villages because majority of Indian still living in rural areas.

- **Multiple Channels:** Banks can offer so many channels to access their banking and other services such as ATM, Local branches, Telephone/mobile banking, video banking etc. to increase the banking business.
- **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 bank in many ways as it reduces cost to banks, improves customer relation , 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.
- **Increasing Internet Users & Computer Literacy:** To use internet banking it is very important or initial requirement that people should have knowledge about internet technology so that they can easily adopt the internet banking services. The fast increasing internet users in India can be a very big opportunity and banking industry should encash this opportunity to attract more internet users to adopt internet banking services. Table shows evidence of increasing number of internet users in India.
- **Internet Banking:** It is clear that online finance will pickup and there will be increasing convergence in terms of product offerings banking services, share trading, insurance, loans, based on the 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 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

Many financial innovations like ATMs, credit cards, RTGS, debit cards, mobile banking etc. have completely changed the face of Indian banking. Thus, there is a paradigm shift from the seller's market to buyer's market in the industry and finally it affected at the bankers level to change their approach from "conventional banking to convenience banking" and "mass banking to class banking". The shift has also increased the degree of accessibility of a common man to bank for his variety of needs and requirements. In years to come, e-banking will not only be acceptable mode of banking but will be preferred mode of banking.

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