



# E-Banking System: Opportunities and Challenges – A Study

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**Abstract:** *E-Banking Service in India is still in the emerging stages of growth and development. Competition and changes in technology have changed the face of Banking. The changes that have taken place impose on banks tough standards of competition and compliance. E-banking is the use of computer system to retrieve and process banking data and information to initiate transactions directly with a bank via a telecommunication network. In other words-banking is the wave of future. E Banking is likely to bring golden opportunities as well as poses new challenges for authorities in regulating and supervising the financial system and in designing and implementing the macroeconomic policy. This research paper aims to represent E-Banking System in India.*

**Keywords:** *E-banking, Computer, Competition, Policy, Challenges*

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## I. INTRODUCTION

The Banking sector in India has experiencing a rapid transformation. Technology in Indian banking has evolved significantly from the days of back office automation to today's online, centralized and integrated solutions. We can not think of ATM, Internet, mobile and phone banking or call centre services without the help of technology. The thorough use of IT in the Indian banking sector has started immediately after the recommendations of the Committee on Financial System (Narasimham Committee, 1991) were implemented in 1991. The recommendations of the committee include, among others, free entry of private sector and foreign banks. The private and foreign banks brought new technologies and rendered technology based world class quality services to customers through ATMs, credit cards and internet banking, which Public sector banks, were not even dreamed about. By offering quality services, these banks started snatching customers from Public Sector banks and they felt the heat and realized that if they do not follow the path of these banks, they would be thrown out from the banking scene within no time.

## II. PURPOSES OF THE STUDY

- The main objective of this research article is to get the full acquaintance of the various E-banking services provided by banks.
- To discuss the Opportunities and challenges for E-banking.

## III. BACKGROUND OF THE STUDY

Banks are the most momentous players in the Indian financial market because they are the biggest vendors of credit and attract most of the savings from the investors. Banking plays vital role in the economic development of all the nations of the world because a developed banking system holds the key as well as serves as a barometer of economic health of a country.

- **FOLLOWING SERVICES ARE PROVIDED BY BANKS THROUGH ONLINE BANKING SYSTEMS**
  - Core Banking Services
  - Real Time Gross Settlement System
  - National Electronic Fund Transfer
  - Mobile Banking
  - Electronic Clearing Services
  - Electronic Fund Transfer
  - ATM
  - Magnetic Ink Character Recognition
  - Credit and Debit Card



#### **CORE BANKING SERVICES:**

Core Banking is a general term used to describe services provided by a group of networked bank branches. Core banking is often associated with retail banking and many banks treat the retail customers as their core banking customers, and have a separate line of business to manage small businesses. Larger businesses are managed via the Corporate banking division of the institution. Core banking basically is depositing and lending of money.

#### **E-BANKING SERVICES:**

E-banking allows customers of a financial institution to conduct financial transactions on a secure web website operated by the institution, which can be a retail or virtual bank, credit union or building society. Electronic or online banking is the latest delivery channel to be presented by the retail banks and there is large customer acceptance rate which means delivery of banking services to customers using electronic technology either at their office or home. The E-Banking offers massive opportunities in every sphere of business as the competitive advantage, member client retention increased revenues and reduced costs.

#### **ATMs SERVICES:**

ATM is a computerized machine that permits bank customers to gain access to their Accounts with ATM and Credit Cards. It enables the customer to perform several banking operations without the help of Teller such as to Withdraw Cash, Make Deposits, Pay Bills, Obtain Bank Statements & Effective Cash Transfer.

#### **MOBILE BANKING:**

Mobile Banking is an extension of application such as Phone Banking & Online Banking. It can be defined as channels where by Customers interact with a Bank through a Mobile Device, e.g. Cell Phone.

#### **ELECTRONIC FUND TRANSFER:**

Electronic funds transfer (EFT) is the electronic exchange, transfer of money from one account to another, either within a single financial institution or across multiple institutions, through computer-based systems.

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#### **RTGS (REAL TIME GROSS SETTLEMENT SYSTEM):**

The acronym 'RTGS' stands for Real Time Gross Settlement, which can be defined as the continuous (real-time) settlement of funds transfers individually on an order by order basis (without netting). 'Real Time' means the processing of instructions at the time they are received rather than at some later time; 'Gross Settlement' means the settlement of funds transfer instructions occurs individually (on an instruction by instruction basis). Considering that the funds settlement takes place in the books of the Reserve Bank of India, the payments are final and irrevocable.

### **IV. OPPORTUNITIES FOR E-BANKING SYSTEM IN INDIA**

Information technology revolution has changed the world into a global village. The thinking, structure, work-culture and functioning styles are changing on hour basis. Information Technology has created remarkable job opportunities for the people around the globe as well made the organizations efficient and productive. There has been an IT revolution in the world in the last four decades. This revolution has changed the way we working. It has touched every enterprise, sector, society and government where banking is the most triggered area. In most of the developed countries like USA, UK, Australia it has contributed to half of the productive growth and a third of the economic growth over the last half decade. In India most of the organizations have already deployed IT to transform their processes. The opportunities of E-banking can be analyzed from the viewpoint of customers, banking organizations and economy in general. Recent developments have introduced a surplus of opportunities for development in banking industry.

#### **OPPORTUNITIES FOR CUSTOMERS:**

General banking customers have been significantly affected by the advent of e-banking.

- A banking customer's account is accessible with an online account.



- Through internet banking customer can operate his account remotely from his office or home. The need for going to bank in person for every single banking activity is dispensed with.
- E-banking lends an added advantage towards payment of utility bills. It abolished the need to stand in long queues for the purpose of bill payment.
- All services that are normally available from the local bank can be found on a single website.
- Rapid growth in credit card/debit card usage can be majorly attributed to e-banking. A customer can shop globally without any need for carrying paper currency with him.
- Through the medium of e-banking, banks are available 24x7 and are just a click away.

#### **OPPORTUNITIES FOR BANKS:**

In addition to banking customers, growth of e-banking infrastructure in general and online banking in particular has proved to be extremely advantageous to banks and overall bank organizations on account of following:

- The E-banking has ensured transparency of transactions and made possible towards removing the documentation requirements to a major extent, since majority of records under an e-banking set up are maintained electronically.
- The concept of E-banking has enormously helped the banks in putting a tab over their specific overheads and operating cost.
- The enhancement of E-banking has made the banks more and more competitive. It resulted in opening of better prospects and avenues for banking operations.

#### **V. MAJOR CHALLENGES FOR E-BANKING IN INDIA**

E-banking in India is in its emerging stage of development. Most of them are basic services only the deregulation of e-banking industry coupled with the emergence of new banking technology is enabling new competitors to enter the financial services markets quickly and efficiently. However it needs to be recognized that perception norms and an improvement in functioning of e-banking services.

##### ***ACCEPTANCE OF CUSTOMER:***

Proper understanding of the customer is the major aspect of the E-banking. It is known that computer literacy in India is yet very low and is problems in fast acceptance of internet. Attitude of the Indian customer needs to be changed by giving awareness about technical terms in internet banking. However, it supports in the fast changing technical scenario, the obsolescence of technology fast. Hence there is always lack of skilled personal and fear of technology.

##### ***COSTLY TECHNOLOGY:***

In connection with Start up cost e-banking is huge at initial level for acquiring personal computer and other equipments; oneself to do online banking is still not with reach of the middle class & upper middle class customers. The cost of maintenance of all equipments like, modem, routers, bridges and network management systems is very high. The cost of sophisticated hardware and software and skill level of people needed. In Internet banking there is need of skilled employees or knowledgeable professionals to route the banking transactions via internet. Banks can employ software application developers, database administrators and training to existing bank staff on the changing systems and procedures who can handle Internet banking applications under proper supervision.

##### ***ISSUES IN SECURITY:***

In a paper less transactions, many problems of security are involved. A security threat as circumstensive decision to cause the economic hardship to data, destruction of network resources disclosure, modification of data or fraud, denial in services and distortion of information. Providing appropriate security of using encryption techniques, implementation of firewalls and virus protection software etc.

##### ***LEGAL ISSUES:***

In today's banking world, legal framework for recognizing the validity of banking transactions. Conducted through the internet is still being put in place? Information technology act provides security & legal framework for e-commerce transactions as well as e-banking. Information technology act or RBI suggested that criterion of Digital Signature Certification Board for authentication of electric records and communication with digital signatures.



**OTHER BUSINESS RELATED RESTRICTIONS:**

Not all transactions can be carried electronically; many deposits and some withdrawals require the use of physical services. Some banks have automated to their customers (front end) but still largely depend upon manual process (back end). It results, most of clientele or customers were restricted by lack of awareness and due to technical problems.

**TRANSPARENCY IN OFFERING :**

Banks will strive to adopt best practices in corporate governance and Corporate Social Responsibility (CSR) this will build brand image and can help them to enhance their confidence of international investors. Banks much towards better corporate governance standards and adoption of uniform accounting standards and disclosure requirements

**ADOPTION OF PROPER ORGANIZATION STRUCTURE:**

Banks may required to adopt flatter organization structure for judicious blending of needs for greater delegation of power, decentralization, customer centric business models, quickly reaction of customer needs, learn constantly from customers, provide customer access, whatever and however they want to transact and interact especially for catering younger Information Technology survey population.

## VI. CONCLUSION

The growth of information technologies in the world has been phenomenal. Due to technological advancement, banks are being able to reach their customers anywhere at any time. Compared to banks abroad, Indian banks offering online services still have a long way to go. For online banking to reach a critical mass, there has to be sufficient number of users and the sufficient infrastructure in place. But in country like India, the people of remote areas are yet not able to access to internet facilities. Increased online banking has led to e-banking threats, frauds and hacking of accounts and unethical access of individual banking informations.

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