



Overview of E- Banking in India

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Abstract:

The formation revolution led to the evolution of the internet, which in turn led to the development of E-Commerce and E-Banking. E-Banking is a significant innovation in the banking industry, allowing transactions to be processed online without the need to visit a branch. This has made internet banking more of a necessity than a "nice to have" service, making it more common in developed countries. Net banking is now the cheapest way to provide banking services, making it a norm rather than an exception. However, the rapid development of E-banking services carries both risks and benefits.

E-banking, also known as online banking or virtual banking, is a system that enables banking transactions like fund transfers, loan payments, deposit, and withdrawals via the internet. It is considered safer and secure than traditional banking, and it ensures qualitative operations. E-banking in India is still in its early stages of growth, but competition and technological changes have transformed the banking sector. This study aims to emphasize the concept of e-banking in India, using secondary data from various databases. The study aims to describe the current status of e-banking in India and examine its challenges and opportunities. E-banking is gaining customer satisfaction and loyalty, and banks should provide convenience by offering services through multiple distribution channels and making online services more accessible.

This research paper will introduce you to e-banking giving the meaning, functions, types, advantages and challenges in adoption of e-banking. It also aims at suggesting some ways for making e-banking successful in the developing country like India.

Keywords: *E- Banking, EMIs, deposit, databases of books, online services, technology etc.*

Introduction:

Banking has become more convenient and secure, with technology allowing easy transfers between accounts. Traditional methods of transactions, such as debit cards, credit cards, e-wallets, internet banking, and mobile banking, have been replaced by various options. E-banking has made petty payments easier, making it more convenient for users to settle their payments. This adoption of e-banking services by customers allows banks to receive returns on their investments and provide a competitive

environment. Previously, electronic payments were limited to large and lump sum transactions, and cheques were the main instruments of transactions.

Meaning of E-banking:

According to UNCTAD, E-banking, or the use of the internet for banking services, involves individual and corporate clients, including bank transfers, payments, and lending. In the late 1990s, banks viewed web-based banking as a strategic necessity to maintain customer loyalty.

In other words, Internet banking, also known as PC banking, online banking, cyber banking, or virtual banking, allows customers to access various banking products and services anytime, anywhere.

Review of Literature:

According to Chauhan, V. & Chaudhary, V. (2015) The study examined internet banking's benefits for consumers and banks, revealing the highest growth in mobile banking from 2010 to 2014, followed by credit cards at 11.07%. NEFT and RTGS transactions were the most popular. However, safety, security, and reliability remain challenges.

According to Dr. Shamsheer Singh (2014) Researched on customer perception of e-banking. This paper has examined the adoption and impact of e-banking among the customers of different banks. The banks in India are racing to use this latest technology to reduce their operational costs and increase customer base. E-banking is a term used for performing balance checks, account transactions, payments etc.

Research Methodology:

This research conducted research using second-hand data listed in different databases of books, research papers, and related articles on the Internet on e-banking.

Objectives of the Study:

1. To know the concepts of e-banking.
2. To study the current status of e-banking in India.
3. To study the challenges faced in e-banking.
4. To study the various opportunities available in e-banking.

Present Status of E-Banking in India:

E-banking has become a significant part of India's banking system, with the first e-banking services launched by ICICI Bank in 1999. The Indian government enacted the

IT Act, 2000, in 2000, legalizing electronic transactions and e-commerce. The Reserve Bank monitors and reviews e-banking requirements to ensure its development and financial stability. As of January 2016, India has 196079 ATMs and 1337310 points of sale devices. Indian commercial banks have adopted various initiatives, including e-banking, to cope with growing competition. Public sector banks face tough competition from newly established private sector and foreign banks. Indian banks offer various e-banking products and services, including Automated Teller Machines (ATMs), Internet Banking, Mobile Banking, Phone Banking, Tele banking, Electronic Clearing Services, Electronic Clearing Cards, Smart Cards, Door Step Banking, and Electronic Fund Transfer.

According to the RBI in its Annual Report 2020-21 stated that the payment systems recorded a robust growth of 26.2% in terms of volume on top of the expansion of 44.2% in the previous year.

Some of the major key facts are as follows:

- Private sector banks represent about 67% of the POS terminal market while public sector banks account for 27%. Payments banks accounted for 5% market share, and foreign banks represented 1%.
- The total number of cards in circulation stood at 960.25 million as of March 2021. Out of which, there were 898.20 million debit cards and 62.05 million credit cards, up by 8% and 7% YOY respectively.
- There were 2.20 billion prepaid payment instruments in the country. Out of which, 189.93 million comprised of prepaid cards and over 2.01 billion comprised of mobile wallets.
- The number of transactions through mobile wallets in Q1 2021 was 1.13 billion and the value was INR 411.75 billion. This includes the purchase of

goods and services and fund transfer through wallets. Transactions through wallets are growing steadily.

- Consumers made 8.32 billion mobile-based payments whereas Net Banking / Internet browser-based transactions were over 937.60 million. In terms of value, INR 31.98 trillion was transacted through mobile while INR 131.34 trillion was transacted through the internet.
- Out of total UPI volume, 55% of transactions were P2P (Person-to-Person) while 45% were P2M (Person-to-Merchant). It clocked over 2.73 billion transactions in volume and breached INR 5 trillion in terms of value.
- The transactions volume passing through Bharat Bill Payment Central Unit (BBPCU) in Q1 2021 stood at 90.71 million while the value of the transaction was INR 134.70 billion. It registered a growth rate of 99% and 129% in volume and value respectively against Q1 2020.
- The transactions (Offers, BHIM Aadhaar Pay) in Q1 2021 recorded a substantial volume of over 449.45 million transactions, registering about 120% growth over Q1 2020. It processed transactions worth INR 633.38 billion, an increase of 93% over Q1 2010.

Challenges in E-banking:

E-banking in India is a rapidly developing sector, with basic services being the main offerings. The deregulation and new banking technology are allowing new competitors to enter the market quickly and efficiently. However, improvements in e-banking services are needed to maintain perception norms.

The challenges in E- banking are as below:

- **Security Risk:** Security concerns have become a major concern for banks, with 43% of internet users in India not using e-banking due to uncertainty. This presents a challenge for marketers to make consumers satisfied and increase online banking use, as it is a significant concern for banks to address.
- **The Trust Factor:** Trust is a major obstacle to online banking, with customers preferring conventional banking due to perceived risk of fraud. Trust in online transactions is crucial, as customers often question transaction success and the reliability of web merchants.
- **Customer Awareness:** Awareness among consumers about the e-banking facilities and procedures is still on the lower side in the 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 barriers in the development of e-banking.
- **Privacy risk:** Consumers are hesitant to use internet banking services due to concerns about privacy and identity theft. They believe that online banking services make them vulnerable to identity theft and that banks may use their information for marketing without their consent. This study highlights the importance of consumer consent in online banking.
- **Strengthening the public support:** In developing countries, e-finance initiatives have traditionally been a result of joint efforts between private and public sectors. However, if the public sector lacks the necessary resources, it is crucial to develop joint efforts with multilateral agencies like

the World Bank to encourage public support for these initiatives.

- **Availability of Personnel services:** Banks must offer various services such as social banking, financial options, selective upgradation, computerization, innovative mechanization, better customer services, effective managerial culture, internal supervision, adequate profitability, and a strong organizational culture, ensuring complete personnel service for customers with expectations.
- **Implementation of global technology:** There is a need to have an adequate level of infrastructure and human capacity building before developing countries can adopt global technology for their local requirements. In developing countries, many consumers either do not trust or do not have access to the necessary infrastructure to be able to process e-payments.
- **Non- Performing Assets (NPA):** Nonperforming assets are another challenge to the banking sector. Vehicle loans and unsecured loans increase 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 has to take care of regular repayment of loans.
- **Competition:** Nationalized banks face competition from foreign and new private sector banks, presenting challenges such as product positioning, innovative ideas, and new market trends. Banks must manage assets and contain risk while converting manpower into machine power. Skilled and specialized staff are needed to achieve maximum work, while reducing manual powers and appointing result-oriented staff. This system requires effective management and resource allocation.
- **Handling Technology:** The Indian banking sector faces a significant

challenge in managing technology, as early adopters gain significant competitive advances. This is crucial for maintaining high service and efficiency standards, ensuring cost-effectiveness, and delivering sustainable returns to shareholders.

Opportunities in E-banking:

Despite various challenges that are prevailing in context with e-banking in India, the following opportunities are motivating the marketers for implementing e-banking:

- **Untapped Rural Markets:** Contributing to 70% of the total population in India is a largely untapped market for the banking sector. In all urban areas banking services entered but only a few big villages have the banks entered. So that the banks must reach in remaining all villages because the majority of Indians still living in rural areas.
- **Multiple Channels:** E-banking offers banks a competitive advantage by providing multiple channels for banking services, reducing costs, improving customer relations, and increasing geographical reach. This allows banks to manage their business better and enhance their overall performance.
- **Increasing Internet Users & Computer Literacy:** Internet banking requires knowledge of internet technology for easy adaptation. The growing number of internet users in India presents a significant opportunity for the banking industry to capitalize on this growth.
- **Worthy Customer Service:** Customer service is crucial for banks to grow their business and build trust with customers. As competition increases, customer service has become the backbone for evaluating bank performance, making it an essential brand ambassador.

- **Internet Banking:** Online finance is expected to increase, leading to convergence in banking services, share trading, insurance, and loans. Data warehousing and data mining technologies will enable anytime anywhere banking to become common, potentially requiring banks to scale up.
- **Retail Lending:** Recently banks have adopted customer segmentation which has helped in customizing their product portfolios well. Thus, retail lending has become a focus area particularly in respect of the 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:

Digitalization has significantly impacted the Indian banking sector, enabling better services and addressing challenges. Internet banking, SMS banking, ATMs, mobile banking, e-cheques, UPI, and debit/credit cards are among the services offered. The younger generation is increasingly adopting e-banking, and the government is working to make it safer, secure, and reliable. Private sector banks

dominate the POS terminal market, and mobile wallets are the primary payment method. Online and mobile banking are rapidly growing, making them a preferred mode of banking in India.

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