

New Challenges and Opportunities in E-Banking Services in India

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Abstract: After the effect of demonetization, digital cash has been the hotcake among the citizens of India. Digital cash and online transactions in the current market scenario have a great effect on e-banking and digital banking. e-banking comprises mainly of electronic funds transfer and usage of online banking services. Electronic banking was offered by the international banks initially since the flow of digital cash was not predominant in the Indian market until the advent of demonetization. E-banking plays a major role in the present banking functionality. Electronic banking is inferred to be safe and secured, compared to physical banking. e-banking ensures qualitative banking operations compared to traditional banking. However, it has its own limitations and challenges when we talk about security, on the contrary. The discussion throughout the paper revolves around the challenges that Indian banks are facing in term of e-banking, opportunity to increase awareness and measures adopted for safe and secure e-banking. The paper further tries to discuss some best e-banking practices that are prevailing in the world.

Keywords: e-banking, trends, challenges and opportunities.

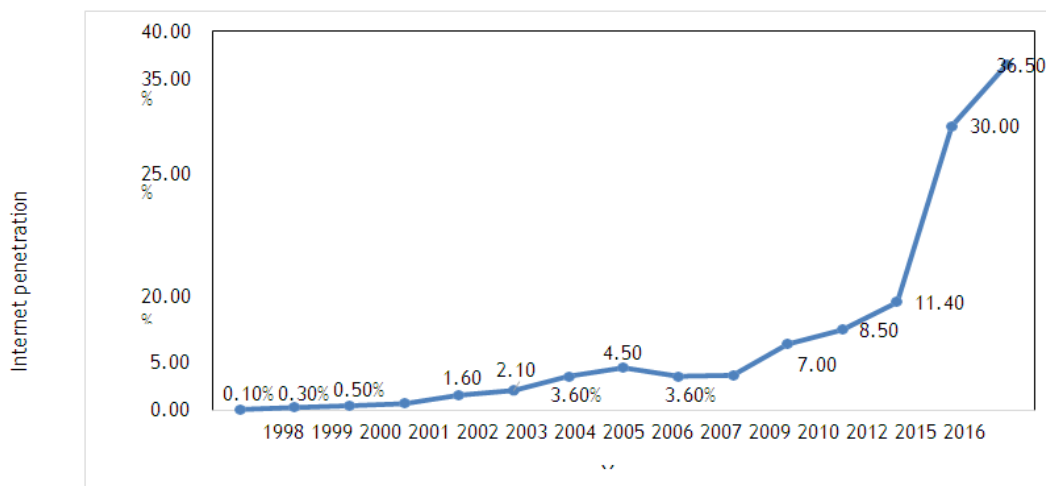
I. Introduction:

Banking system always has an important role to play in every country's economy. It is vital for any nation as it provides for the needs of credit for all the sections of the society. India is not only the world's largest independent democracy but it is also an emerging economic giant. The growth potential of India is based on its strong banking institution. The infusion of information technology in banking sector has completely revolutionized how the banking sector operated. In order to survive in the new globalized world, banks had to opt for this new change. Banking in India has been through a long journey. It has seen a number of changes due to technology and innovation. Arrival of card, introduction of Electronic Clearing Service (ECS) introduction of Electronic Funds Transfer and concept of online banking and mobile banking are the various novelties which took place in banking sector. Now all the banks have started with the concept of multi- channels, like ATMs, credit cards, debit cards, telephone/mobile banking, internet banking, etc.

Internet: An important driver of electronic banking:

Internet is considered to be an important driver of electronic banking. With the advent of internet, the usage of electronic medium in every field, including banking has increased. Figure 1 given below depicts how internet penetration in India has increased over a period of time.

Figure 1: Chart showing internet penetration in India



II. E-banking in India

In India the traditional method of banking was through branch banking. It was in 1991, that with economic reforms, the banking industry also witnessed the new wave of banking methods. It was Saraf Committee which was constituted by RBI in 1994 that recommended the use of Electronic Fund Transfer System (EFT), introduction of electronic clearing services and extension of Magnetic Ink Character Recognition (MICR) beyond metropolitan cities and branches. It was ICICI bank which became the pioneer of e-banking in India .It was the first bank to introduce online banking services in 1996. Its initiatives were followed by Citibank, IndusInd Bank and HDFC Bank who provided internet banking services in 1999. Various initiatives have been taken by both the government and the Reserve Bank from time to time to smooth the expansion of e-banking in India. The Government of India enacted the IT Act, 2000 which provided legal recognition to electronic transactions and other means of electronic commerce. The important technological developments witnessed in the new age payment systems in India are:

1. Arrival of card- based payments- debit card, credit card- late 1980's and early 1990's.
2. Introduction of Electronic Clearing Service (ECS) in late 1990's
3. Introduction of Electronic Funds Transfer/ Special EFT in the early 2000's
4. Real Time Gross Settlement (RTGS) was introduced in March 2004
5. Introduction of NEFT (National Electronic Funds Transfer) 2005/06
6. Introduction of CTS (Cheque Truncation System) in the year 2008

III. E-banking products in India

There are various indicators of electronic banking which are used in India. In this study we, only focus on the main parameters of e-banking such as ATM , NEFT , Debit cards and Credit cards.

ATM – The Automated Teller Machines or ATMs as they are popularly, called is a modern day machine which is used by the customers to have access to money day in day out without visiting the bank branches in person. The system is known as “Any Time Money” or “Any Where Money” as it empowers the customers to withdraw money from the bank from any of its ATMs without any restriction of time. Use of ATM is considered as the most popular method of dispensing cash easily. NEFT - NEFT stands for National Electronic Funds Transfer .It is a nation-wide payment system which enables one-to-one funds transfer. Under NEFT, funds can be transferred electronically between any two NEFT-enabled bank accounts. It was introduced in November 2005 in the country facilitating transfer requirements of individuals /corporate. Through NEFT fund transfers are settled in hourly batches with 12 settlements occurring between 8:00 AM and 7:00 PM on week days. “Certain other unique features viz. accepting cash for originating transactions, initiating transfer requests without any minimum or maximum amount limitations, facilitating one-way transfers to Nepal, receiving confirmation of the date / time of credit to the account of the beneficiaries, etc., are available in the system”(RBI).

Debit Cards – Debit card is a form of plastic money. It offers convenience to the cardholder as they don't have to carry paper cash .Instead of using money, customers can swipe their cards to make purchases. . Debit cards draw money directly from the bank account when they are used. Unlike they don't provide money on credit. Debit cards also enables customers to use ATM machines. Most of the banks in India provide debit cards whenever a customer opens a saving account is open in the bank.

Table 2: Debit Card Issued by Scheduled Commercial Banks(million)

Year	2011-12	2012-2013	2013-14	2014-15	2015-16
Outstanding no. of debit cards	278.28	331.20	394.42	553.45	661.82

Credit Cards – Credit cards is a form of plastic money which allows the holder to buy goods and services on credit. The cards are issued by the banks, and when the cardholder sweeps the card for its purchase a line of credit is granted to him, as he can make purchases on credit which are to be repaid later to the bank. There are lot of advantages attached to this form of banking. The biggest advantage is the convenience of not carrying cash as transactions can be conducted with the use of cards. As transactions are accurately recorded, it helps to maintain proper records. Banks also offer additional discounts on usage of credit cards in particular restaurants, stores or online schemes. The main fear among people relating to credit card usage is that it leads to more spending than required.

Table 3: Credit Cards Issued by Scheduled Commercial Banks (As at end-March)(in million)

Year	2011-12	2012-2013	2013-14	2014-15	2015-16
Outstanding no. of credit cards	17.65	19.54	19.18	21.11	24.51

IV. Challenges in adoption of e-banking

E-banking today is a norm rather than an exception for the banks. But despite the fact that it offers number of benefits which make banking convenient and easy for customers, there are some issues and challenges that needs to be addressed .Some of which are stated below:

Security Risk – Security risk is the prominent challenge faced by the banks offering e-banking services. There are still many customers who refuses to opt for e-banking services because they still don't find e-banking or online banking secure. Online banking frauds like phishing, spamming, spy ware, internet theft etc. are still very much prevalent and are a thwart to e-banking expansion. These security problems need to be addressed to win over the confidence of the customers.

Privacy Risk – The risk of disclosing the private information of the customers with others. As all the information of the customers are available online, there is always a fear among the customers that their personal information may be shared by the banks with the marketing people.

Technical difficulties – As e-banking is all about the use of technology, any technical error can withhold the banking process. The problem of banking websites going down, or jamming problem due to lot of rush on the websites, blocking of the cards , forgetting log-in passwords all these are technical problems which a customer may face in using internet banking.

Customer Education – There are lot of users in India who still fear using e-banking services because they are unaware either about their benefits or are unaware about the mode of usage. It is a big challenge for the banks to make to slowly equip all the customers in using e-banking facilities. Though lot of people have shifted to use of ATMs and plastic cards, a lot needs to be done to make EFT and RTGS a popular banking mechanism among Indian users.

V. Conclusion

E-Banking is a non-reversible phenomenon which will gain more momentum in the coming years. With digitalization of Indian economy and move to turn India into cashless society, e-banking is going to be strengthened. Many banks in India including the State bank of India, HDFC, and ICICI etc. are levying charges on cash transactions above a certain limit. Though this is mainly being done to curb cash withdrawals as many banks are still twirling over cash crunch caused due to demonetization in 2016. But this step is surely going to boost online banking and virtual transactions in India. As can be seen from data given above, be it ATMs deployment or issuance of debit card or credit card, they all witnessed an upward increase indicating their growth in recent years. The young generation has already adapted to this change and perceive this changing banking system more as a convenience mode than a challenge.

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