

Challenges and Opportunities of e-Banking 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 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.

Objectives:

- To study the opportunity to increase e-banking awareness
- To analyse the challenges and risk factor involved in e-banking
- To enlighten the measures adopted for safe banking

Research Methodology:

This research paper is studied on the basis of primary data collected using the structured questionnaire and sampling methods, and secondary data referred from various research articles and certified journal publications.

Keywords: E-banking, Opportunities, Challenges, Safe banking, Risk Factor

I. Introduction

e-Banking, also known as online banking or virtual banking or internet banking is a system which enables banking transactions like transfer of funds, payment of loans and EMIs, deposit and withdrawal of cash virtually with the help of internet. It is one among the extended features which banking institutions provide, in addition to traditional banking. e-Banking is the most used feature by the citizens of India after the effect of demonetization. This feature is assumed to be one of the most flexible, adaptable and secure ways of transacting among the users/customers to bank. However, it depends on the trust that an individual has on the bank he/she is operating with.

There are different types or sectors under e-banking services. The major services offered are Internet banking, SMS banking, ATMs, mobile banking, e-cheques, and debit/credit cards.

1. ADVANTAGES OF E-BANKING

Before we jump into the actual discussion, let us quickly look into the advantages of e-banking services:

1.1. Convenience: e-Banking is a service which is available to anyone and everyone who is a bank account holder. It allows the customers to easily access the bank's website using their username and passwords; and carry on with the transactions even if the bank is closed.

1.2. Flexibility: e-Banking, with its flexible services like 24*7 ATMs and mobile banking is flexible to the customers. It enables the customers withdraw cash using their debit cards, and payment of bills.

1.3. Time Saver: This is the greatest advantage to our generation as we are not able to spend a lot of time for anything. Time management is one of the greatest challenges in our busy lives. e-Banking enables us to carry on banking transactions within minutes, not disturbing our routine.

2. CHALLENGES OR DISADVANTAGES OF E-BANKING

India is the IT and tech services outsourcing hotspot of the world, it's surprising that Internet banking has not really taken off. Despite the advent of a very tech-savvy and vast consumer class in recent years, a mix of industry issues and unique challenges continue to thwart the expansion of net banking in India. Technology

challenges, IT practices, certain cultural issues, industry lethargy, and workplace constraints have affected widespread acceptance of Internet banking.

As the major objective of our study is to focus on the challenges that e-banking is facing in India at present, we shall now look into the major disadvantages of e-banking in India.

2.1. Low Broadband Internet Penetration

India has one of the lowest broadband connectivity penetration rates in Asia as compared to Japan, Taiwan, Korea and Singapore. While the bigger cities such as Mumbai, Delhi, Chennai, and Bangalore have relatively better broadband penetration rates, PC users in smaller cities and towns still use dial-up options to connect to the Internet. Slow connectivity speeds often dampen the online banking experience for many customers eager to use such services.

2.2. Banks' Ambivalent Commitment Levels

Internet banking did take off in India at the turn of the millennium but soon faltered due to lack of takers. In the middle of this decade, multinational and domestic private banks started offering net banking services as a competitive differentiator. Only recently, state-owned and public sector banks have started doing likewise. However, banks' ambivalent commitment levels and their reluctance to allocate huge budgets for net banking branding initiatives, as well as a lack of industry advocacy efforts, have resulted in poor acceptance levels of Internet banking by customers.

2.3. Customers' Preference for Traditional Branches

There are thousands of highly active traditional bank branches in India's crowded cities and major towns. Office workers take longer lunch breaks to finish banking activities and transactions at these branches rather than conduct them online. Most customers prefer the personal touch and customized service offered by staff in brick-and-mortar bank branches. Many Indians are also averse to calling call centres and banks' customer contact lines to address issues related to online bank accounts.

2.4. Fear of Online Threats/Scams

Ubiquitous and prevalent online threats about hackers, identity theft, stolen passwords, viruses, worms and spy ware tend to make customers wary just like in any other country. Conservative Indian bank customers used to years of saving in an erstwhile mixed-socialist economy are always fearful of losing hard-earned savings in online scams. These customers are also not sure about the efficacy of banks' websites and their commitment to allocate funds for reliable encryption mechanisms and robust back-end technologies and systems.

2.5. Impersonal

Transacting on the internet can be very impersonal. In other words, you only do business with the use of a computer. No individual to receive and check your money or correct some wrong information that you might have written on a certain form. And so for people comfortable dealing with real people who provide personalized services and using paper and money, internet banking is not ideal.

2.6. Difficult for first timers

For a first time user, navigating through a website of an internet bank may be hard and may take some time. Opening an account could also take time as some sites ask for numerous personal details including a photo identification which can inconvenience the potential customer. Because of this complexity, they may be discouraged to use this internet banking service. Tutorials and live customer support may be provided, though, to help the client in his or her needed tasks so it's best to take the time to know the virtual environment.

2.7. Security fraud

Many people shy away from internet banking because of the security threat. [1]They can't help but worry about this aspect what with news on fraudulent bank transactions that pop up every now and then. However, this should not be a problem as banks that provide internet banking services prioritize security above anything else. Since they value their customers, they always use the most advanced security technology in protecting their websites.

2.8. Regulation and Legalities

Internet banking makes it possible for banks and their customers to do business from anywhere in the world. This greatly increases the bank's potential client base. Nevertheless, according to Andrea Schechter of All Business, the global approach to banking that internet banking permit makes it extremely difficult for regulatory authorities to enforce finance laws. Additionally, regulations differ from nation to nation and banks are not always proficient in the financial laws for every nation in which they have business. Schechter asserts that this lack of proficiency opens banks and their clients up to law violations and lawsuits.

2.9. Digital and Financial Divide

Rupa Rege Nitsure, claims that a digital divide exists between banks -- i.e., not every bank has access to the hardware and software necessary to make internet banking possible. A study led by Joaquin Yang of Georgia College and State University showed that this problem may be related to size and financial support a bank has. Smaller banks tend not to use internet banking because it is not cost-effective for them. To make Internet

banking more commercially fair to banks and customers, all banks would need a sufficient funding source so that banks could eliminate this digital divide.

2.10. Reputation

Schechter asserts that problems such as governance and security have the potential to make a bank look bad to clients. Additionally, the more a bank relies on Internet banking, the more the bank may gain an impersonal feel. Both of these problems may discourage clients from choosing a bank that relies on internet banking, regardless of how convenient internet banking may be.

3. OPPORTUNITIES RELATED TO E BANKING

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

3.1. 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 en-cash this opportunity to attract more internet users to adopt internet banking services.

3.2. Initiatives Taken By Government Agencies For Financial Literacy

Financial literacy and education play a crucial role in financial inclusion, and inclusive growth. A study reported that there is significant impact of financial literacy on use of internet banking, If customers are not financially educated they will simply avoid using new online services and not change their traditional way of banking, thus banks will not be able to convert users into their new online banking strategies. Various government institutions like RBI, SEBI, IRDA and various other market players have taken a number of initiatives on financial education. They have prepared a school curriculum along with various topics including internet banking, banking product and services, net banking to educate the school students, college students, working executives, middle income group, home makers, retired personnel, self-help groups etc.

3.3. 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.

4. MEASURES TO BE TAKEN FOR SAFER E-BANKING

Internet banking allows us to transact in a fast and convenient way. Unlike traditional banking to make us wait in an unending queue, internet banking functions are just a few clicks away. However, this facility needs safety and secured way of transacting as the risk of phishing is high. The following are some of the measures to ensure secure banking:

4.1. Password

We need to change our passwords at regular intervals in order to keep our accounts safe. One of the best practices is to have a password as a combination of upper case and lower case letters, numbers and special characters.

4.2. Usage of public computers

Logging in to bank account from cyber cafes or libraries is not recommended by banking experts. Chances of passwords being traced or seen by others are usually high in such places. One should make sure to clear the cache and browsing history, and delete all the temporary files from the computer. Also, never allow the browser to remember ID and password; this leads to hacking.

4.3. Confidentiality

No bank will ask for any confidential information via phone or email. We have to beware of apparent phone call from the bank or an email requesting such details; do not give out login information. Sharing login credentials with friends and family is not advisable either.

4.4. Regular check is must

Check your account after making any transaction online. Verify whether the right amount has been deducted from your account. If you see any discrepancies in the amount, inform the bank immediately.

4.5. Anti-virus software

In order to protect your computer from new viruses, ensure that you always use licenced anti-virus software. Pirated versions of anti-virus software may be available for free, but they may fail to protect your computer from new viruses prevalent in the online world. In addition, you will get notifications for updates in the software periodically. Make sure that you keep your anti-virus updated, so that your confidential information is always protected.

4.6. Disconnect the internet connection when not in use

Most broadband users do not disconnect the internet connection on their computer when they are not using it. Malicious hackers can access your computer via an internet connection and steal your confidential banking information. To keep your data protected, ensure that you disconnect from the internet when you do not require it.

Type your internet banking URL

It is a safer to type your bank URL in the address bar of the browser than clicking on links given in an email. There are instances of fraudsters sending emails with fraudulent websites links that are designed exactly like the bank’s original website. Once you enter your login details on such a website, they may be used to access your account and steal your money. While logging on, check for 'https://' in the URL and ensure that it is your bank’s authentic website.

II. Findings And Conclusion

The primary data was collected using the general questionnaire method from different age groups of people from different educational background and work environment. The questionnaire was shared with over 150 invitees while we received 92 responses.

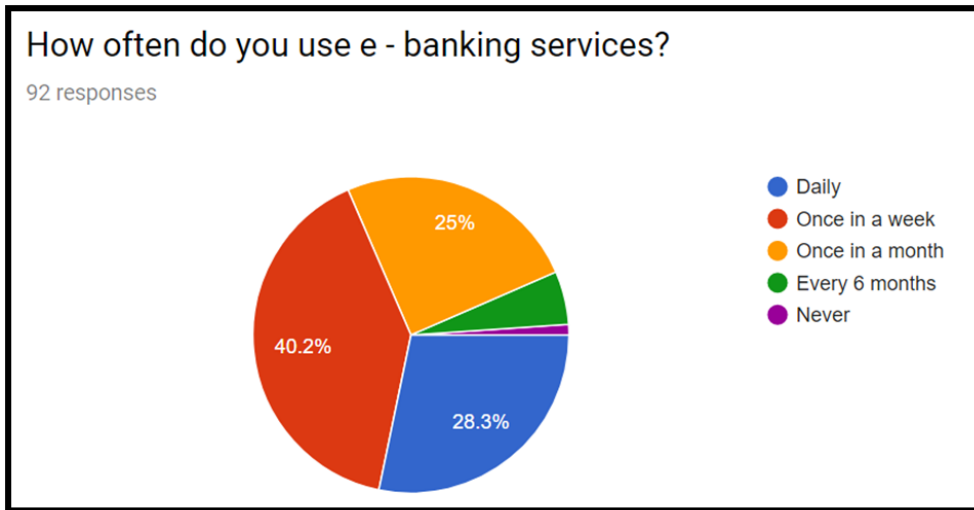


Fig. 1

The above pie-chart shows the trafficking of e-banking services by different users in India. It is clear that most of the users transact using the internet banking once in a week that is about 40.2% of them. And, there are 28.3% of users who use e-banking services every single day.

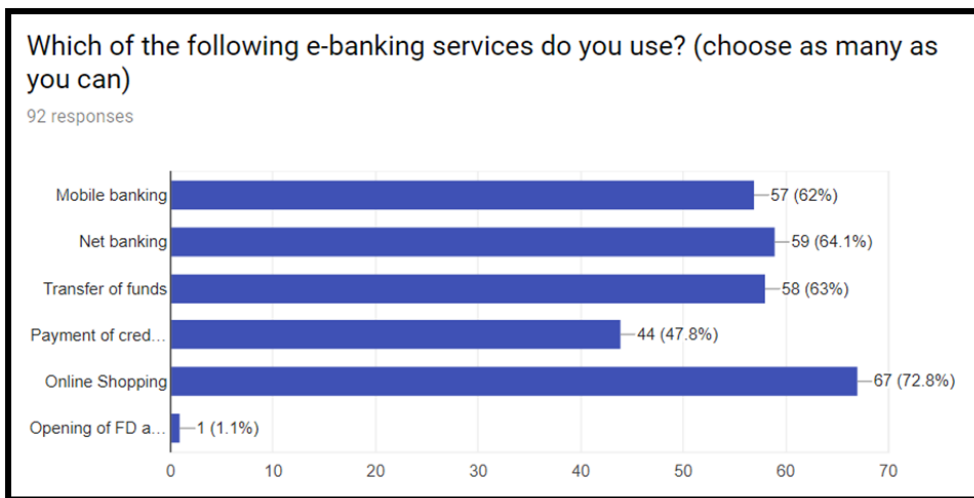


Fig. 2

The above bar graph analyses the different services that are being used more often in comparison to the other services. It is evident that most of the respondents use e-banking for online shopping and net banking services from their respective bank's website, out of the given options.

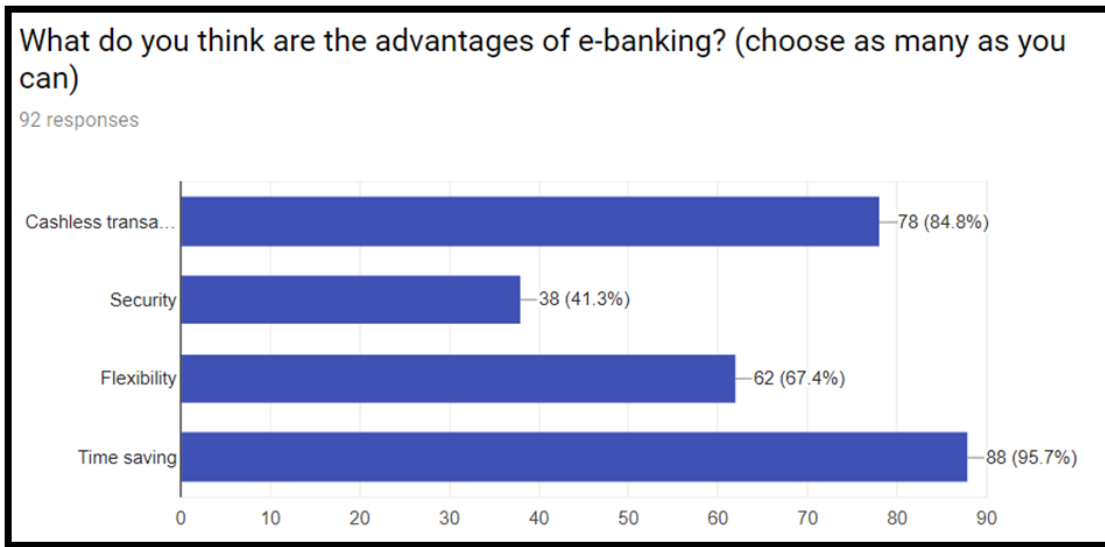


Fig. 3

As we started the discussion with the advantages of e-banking, the questionnaire included the same question as well. In the above bar graph, 95.7% of the respondents feel that time saving is the greatest advantage of e-banking, as it avoids standing in endless queues at the banks. Also, the second highest chosen option in the above graph is cashless transactions. This shows that the effect of demonetization is evident on the citizens of India. The same is explained the below pie chart as well.

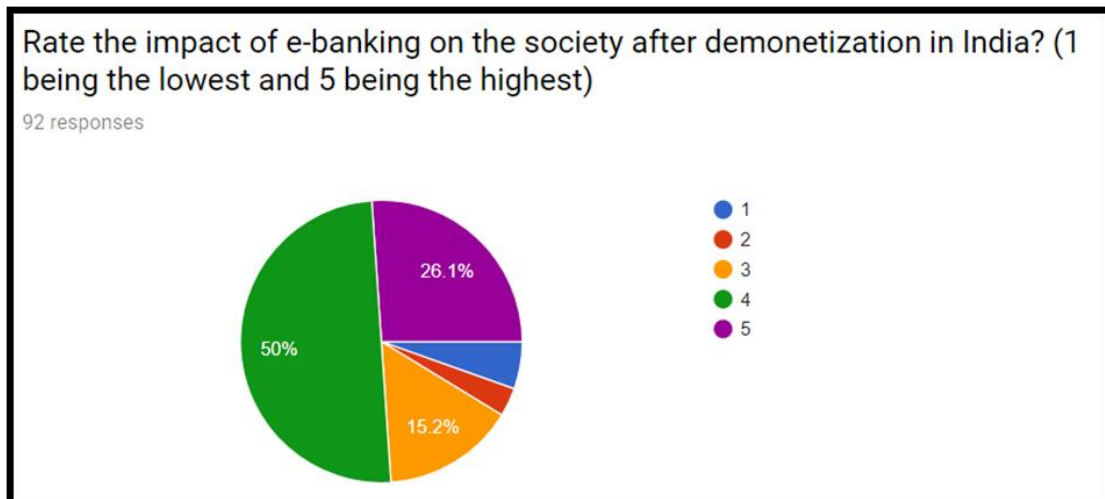


Fig. 4

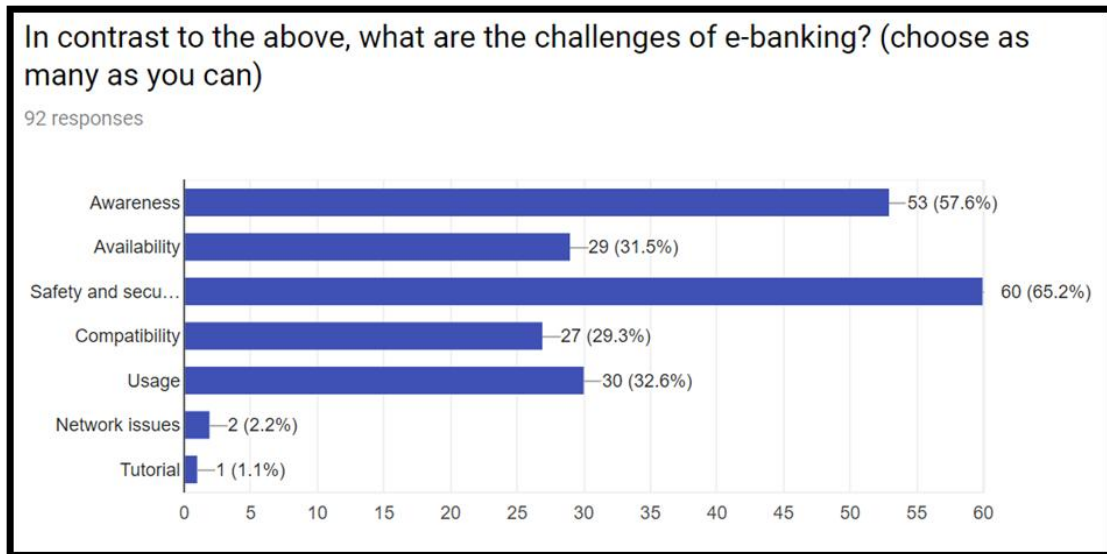


Fig. 5

As the motto of this study is to prove that safety and security is the main challenge of e-banking in India, we found that even the practical users of feel that safer and secure usage of e-banking is a drawback.

As discussed above, if the safety measures are adopted by all the banks, e-banking will be a phenomenal implementation by the citizens of India. It might even transform into a revolutionary service by the banking companies.

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