



## E-banking in India: Boon or bane?

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### Abstract

In the new global era of multi-currency, multi-legal and multi regulatory systems along with the freedom of e-commerce, banks have to operate like multinational corporations to grow and survive by adopting electronic banking. With the advent and diffusion of the Internet medium, the usage of e-banking has experienced a tremendous growth. The growing applications of computerized networks to banking reduced the cost of transaction and increased the speed of service substantially. On the other side, there are some hurdles also in the smooth implementation of e-banking in India. Non-acceptance by customers, security issues and cyber laws, reach of common man are the main areas of concern which needs to be comprehended and tackled.

**Keywords:** cyber laws, E-banking, information technology, point of sales terminal, tele-banking

### Introduction

With the globalization of business and services, our country cannot lag behind in niche areas of Electronic Banking. In the new global era of multi-currency, multi-legal and multi regulatory systems, with the freedom of E-Commerce, banks have to operate like multinational corporations to grow and survive by adopting E banking. Internet banking has gained wide acceptance internationally and seems to be fast catching up in India with more and more banks entering the fray. E-banking means that customers are able to conduct their banking business via personal computers without having to visit a bank branch and get access to accounts and general information on bank products and services through the use of the bank's web-site.

Rising numbers of financial institutions are introducing and expanding their offerings of electronic banking products. Traditionally, banks have always had a close relationship with their customers. They often knew them as individuals, and satisfied their needs through personal customized services. Recently, the development of electronic banking or e-banking has influenced the increasing competition within the banking industry. E-banking is a part of e-commerce. Generally, when the information technologies combine with functions of banks and financial institutions, it is called electronic banking. By e-banking, we mean that customers are able to conduct their banking business via personal computers without having to visit a bank branch and get access to accounts and general information on bank products and services through the use of the bank's web-site. With the advent and diffusion of the Internet medium, the usage of e-banking has experienced a tremendous growth. The growing applications of computerized networks to banking reduced the cost of transaction and increased the speed of service substantially.

### Revolutionary changes due to information technology

Information Technology has brought about revolutionary changes over the globe. The transformation from traditional banking to e-banking has been a 'leap' change. The

evolution of e-banking began with the use of Automated Teller Machines (ATMs) and since then has grown with the introduction of mobile banking, electronic fund transfer and the revolutionary on-line banking. E-banking is one of the most effective value-added tools used by the present-day bankers to attract new customers and to retain the existing ones. With the proliferation of internet and computer usage, the electronic delivery of e-banking service has become ideal for banks to meet customers' expectations. This study attempts to find out, to what extent the customers are satisfied with the e-banking. It also gives a brief idea about the various e-banking services rendered by the commercial banks in India.

### E-Banking services offered by commercial banks

A wide range of services are being offered by banks using the electronic media viz.

#### 1. Automated Teller Machine (ATM)

The ATM is one the earliest electronic banking products introduced in the mid-1970s. It allows customers to withdraw money at any time from the bank. It also allows the customers to deposit cheques or cash and view account information. ATM is the most convenient way to withdraw cash. It reduces risk and lowers cost. It offers benefit to banks, i.e. improved customer service, larger penetration, alternative to extended hour service and less crowding of customers at the bank counters.

#### 2. Tele-Banking

Tele banking facility is made available with the help of a voice response system (VRS). Tele-banking, i.e. the round-the-clock, 'Bank-on-phone' service allows the customer to enter phase via telephone. Customers can perform a number of transactions from their home or office. Facilities offered by tele banking are information on balance, cheque book requisition, money transfer from one branch to another branch, queries on new schemes, etc.

### 3. Electronic Funds Transfer (EFT)

The EFT automatically transfers money from one account to another. In this system, the sender and the receiver of funds may be located in different cities and may even bank with different banks.

### 4. Credit Cards/Debit Cards

The credit card is a post-paid card and the debit card is a prepaid card with some stored value. A customer is empowered to spend anywhere according to his own convenience within the fixed limits prescribed by his bank. But, in the case of the debit card, the money is transferred from the customer's account to the merchant immediately when he makes a purchase with the card.

### 5. Point of Sale (POS) Terminal

The point of sale is initiated by using a payment card at a retail location. The POS system identifies the card holder and checks whether his account has sufficient funds to cover the purchase. This is done through the debit card. To get these cards, the customer has to deposit money in the bank.

### 6. Online Banking

Online banking is doing banking business through home via personal computer. The customer demands the necessary application form through the net and the bank sends a Unique Personal Password for accession. Online banking helps the customers to have a complete database about the customer's account at his terminal. It also provides current balances in the customer's account on real time basis, day's transactions in the account, details of cash credit limit, drawing power, amount utilised, etc.

### Benefits of E-Banking Services to Customers

Services of commercial banks have, become indispensable and E-banking has made banking a pleasure for the customers by providing them the under mentioned facilities:

#### 1. Quick withdrawal

The ATMs helps the customers to withdraw money as and when required by them.

#### 2. Time and Energy Savings

The customers need not spend their valuable time standing in the long queues which can be productively used for some other purpose.

#### 3. Safe and Quick Transfer of Funds

E-banking through Electronic Fund Transfer (EFT) helps the customers to transfer funds from one place to another very quickly. When compared to cheques, it is safer.

#### 4. Safety

It is sufficient if the customer carries a debt/credit card. It enables him to withdraw cash when need arises and also helps him to purchase products or services without cash. Thus, it provides safety to customers.

#### 5. Greater Access

E-banking has enabled the customers to have access to their accounts at any place throughout the world. Core Banking Solutions has made the customer, the customer of a bank instead of being a customer of only a branch, which was prevalent in traditional banking.

### Benefits of E-Banking to the Banker

Bankers, in turn, derive a number of benefits from e-banking which are as follows

#### 1. Reduced Administrative Cost

The administrative cost gets reduced because it is more costly to service the customers personally at a physical branch.

#### 2. Greater Market Penetration

E-banking facilitates greater market penetration and growth in customer base because there are no geographical constraints.

#### 3. Builds Customer Loyalty

The customers, being attracted by the various e-banking services made available by the bankers, continue to stick on the same bank and hence they are more loyal to the bankers.

#### 4. Helps Effective Marketing of Services

It is an effective medium of promotion of various schemes of the bank and acts as a marketing tool.

#### 5. Facilitates Customized Services

By way of establishing centralised data base, the load of the branches is reduced. Integrated customer data paves way for individualised and customised services.

### Bottlenecks of E-Banking

Even though, E-banking services have been beneficial in a number of ways, there are certain drawbacks which hinder the progress of E-banking which are as follows:

#### 1. Non-Acceptance by Customers

Customers, because of their precautions approach, hesitate to accept the e-banking services. There is a general tendency on the part of the customers to fear for the technology-based e-services.

#### 2. Beyond the Reach of Common Man

The cost of acquiring a computer, internet connection and other equipments is also a limiting factor in development of e-banking facility. As such, these facilities remain out of the reach of the middle class or even the upper middle-class customers.

#### 3. Security Issues and Cyber Laws

The major problem to be addressed before implanting e-banking solutions is security. The security threat may come from unauthorised access/loss or damage of data by hackers or loss or damage of data by virus or unauthorised access within the network.

### Conclusion

The banking sector in India is adopting itself to rapid innovations in technology particularly on the information-based technology front to impart efficiency in providing wide range of products and services to the public at large. Computerization of banking operations as recommended by Dr. C Rangarajan Committee had received high importance since 2005-06. Indian banking sector is moving towards the reach of rural areas through its Information Technology measures.

E-Banking is becoming immensely popular globally, and India is no exception to it. Banking is now no longer confined to the traditional brick and mortar branches, which one has to be at the branch in person, to withdraw cash or deposit a cheque or request a statement of accounts. The declining Internet rates, falling PC prices, broad bandwidth access through cable and digital subscriber lines, accessing the Net through cable TV etc., would definitely encourage the boom in E-Banking in India. But, at the same time banks must keep in mind that, every electronic channel including the Internet is not free from risk especially from security point of view. Thus, bank managers should invest resources to enhance overall service quality.

For enhancing the overall service quality, management and employees have to find out what customers expect while designing strategies. Finally, we may conclude that to compete more efficiently and effectively in the market place, a banking institution must be sensitive to meet customer's expectations to the availability of the instructions and personnel assistance on how to use the e-banking services.

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