

E- Banking Services in India

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Abstract

Economic reforms initiated in India during mid-1991 were broad-based and comprehensive. They embraced vital sectors of the economy and consequently, the policies underwent sea change. The banking system is central to a nation's economy. Banks play a creative role in economic development of a nation. Banking sector reforms have made a significant impact on the performance of banks in terms of profitability and efficiency. Liberalization and deregulation witnessed in the Indian markets in the 1990s have resulted in a spurt in banking activity in India. Significant advances in communication have enabled banks to expand their reach, both in terms of geography covered as well as new products introduced. With increased competition in wholesale banking due to the entry of foreign banks and new private sector banks, the sector has led to banks increasing their focus on retail banking so as to obtain access to low cost funds and to expand into relatively untapped, potential growth areas. Present paper attempts to review the e- banking in India.

Introduction:

Public sector banks continue to dominate the Indian banking system, and State Bank of India and its affiliates control a major portion of the country's banking industry. State Bank of India has also introduced ground-breaking financial and credit instruments in the context of globalisation and economic liberalisation in light of the developments in the world of business. SBI used the vastly improved technology in service delivery, such as the widespread use of credit-cumulative debit cards, credit cards, smart cards, virtual banking, e-banking, ATMs, electronic payment systems, etc., to confront the competition in the Indian banking industry. The reach, accessibility, and quality of banking services in India have significantly increased as a result of globalisation, and in particular as a result of the arrival of private and foreign banks. When it comes to providing banking services, SBI and its affiliates are no longer far behind private and foreign banks. The goal of the current study was to investigate how globalisation has affected Indian banking services, particularly those provided by the State Bank of India.



E-banking is now a widespread occurrence. It is a priceless and powerful tool for supporting growth, fostering innovation, and boosting competitiveness. Every nation needs a physically robust banking sector since it may significantly influence economic development by providing professional financial services. The financial sector has been greatly impacted. In order to fully utilise the new technology and offer their customers high-quality online service, banks must come up with innovative solutions. Banks must improve the quality of experienced online customer service when there is a lack of face-to-face connection in order to gain and maintain competitive advantages and client relationships (Aronson et al. ,2006) .The most current in a long line of recent technology marvels is e-banking. Traditional banking goods are now effectively delivered through ATMs, Tele-Banking, Internet Banking, Credit Cards, and Debit Cards. Banks are aware that the Internet expands their horizons and pushes their boundaries from the local to the international. IB stands for information-based systems, which allow bank customers to access their accounts and general information about bank products and services via the bank's website without the need for or hassle of sending letters, faxes, original signatures, or telephone confirmations. It refers to the services that allow bank clients to access information and perform the majority of retail banking tasks including balance reporting, inter-account transfers, bill payment, etc. over a telecommunications network without having to leave their residence or place of business. It offers global connectivity from any location and is available from any computer with an internet connection. The banking industry's use of information technology has sped up client interactions and transactions. To maximise the benefits for both clients and service providers, it is essential to make this banking feature available to customers. The ability to cut branch networks and personnel sizes makes the internet the least expensive delivery method for banking products. Because it can become one of a financial entity's strongest competitive advantages, website navigability is a crucial component of IB. Bankers view the benefits of electronic banking as "minimising annoyance," "minimising cost of transactions," and "time savings," while the hazards are "chances of government access," "chances of fraud," and "lack of information security." The performance of the banking industry is improving every day as a result of increased use of technology. E-banking is quickly taking over as a crucial component of contemporary financial services.

The Indian banking industry as a whole has seen a significant transformation thanks to retail banking. Strong actions done by the government and private businesses have led to the

outstanding improvement of India's banking sector. The global banking industry has shifted its attention to retail banking. The primary driving force behind this revival in retail banking has been the emergence of new economies and their explosive expansion. In nations like India that are developing at a good pace, changing lifestyles, quick advancements in information technology, other service industries, and rising income levels have all contributed to the rise of retail banking. The retail banking situation in India has been characterized by the market shifting from a seller's market to a buyer's market. Account opening, credit card, debit card, ATM, internet banking, phone banking, insurance, investment, stock broking, and other services are all provided by retail banks. When financial institutions offer banking services to individuals and small businesses, they are said to be engaging in retail banking. These transactions typically have low dollar amounts. The country's retail banking industry is distinguished by a variety of products, channels, and clientele. The variety of tasks that retail bankers must fill increases both the obstacles and the excitement they face. In an expanding economy like India, retail banking offers numerous options. Retail banking is set to become one of the main drivers of India's economy as the growth story develops. The public's primary point of contact with banking is through retail. Retail banking is the supply of banking goods and services to particular clients, often for non-commercial uses. Offering products on both sides of the balance sheet is a part of retail banking, for example, fixed, current, and savings accounts on the liability side, and mortgages and loans (such as personal, home, auto, and educational loans) on the asset side. Retail banking also includes providing customers with credit cards, depository services, and other para-banking goods and services including capital market goods, insurance goods, etc. Retail banking services therefore roughly match to those offered throughout the middle stage of banking evolution. Although there is fantastic development potential in retail banking, there are also enormous challenges. Banks must innovate to expand because of the strict regulatory requirements for consumer protection, challenges from a weakening global economy, and rising customer demands.

E- Banking:

The use of information technology is very essential in today's enterprises. In today's world, banks function in a highly liberalised, privatised, competitive atmosphere. Banks must employ IT in order to thrive in this environment. The use of IT has changed corporate

paradigms. It is becoming more and more important in helping to improve banking services. Due to significant improvements in information technology, the Indian banking industry has seen great growth. Such an inventive invention led to the birth of electronic banking. Most of the problems that the banking industry is currently facing are thought to be curable with modern technology. India is currently one of the least banked nations in the developing world because of its low credit-to-GDP ratio. Therefore, banks must contend with both rising penetration and a rapid growth trajectory. By using technology, the banking sector can accomplish two goals at once. Technology has advanced dramatically, turning the world into a small, interconnected village and bringing about significant changes in the financial sector. Branch banking has changed from being done in a physical location to being done online.

The term "e-banking" refers to and embraces the complete area of technological initiatives that have been implemented in the banking sector. E-banking is a general word for the delivery of banking services and goods using electronic channels, such as the telephone, mobile phone, and internet. E-concept banking's and application are still in the early stages of development. Branch banking's limitations have been overcome by e-banking. E-banking first appeared in the UK and the US in the 1920s. Through credit cards and computerised funds transfers, it gained widespread popularity in the 1960s. Beginning in the 1980s, the idea of web-based banking was developed in Europe and the USA. According to estimates, almost 40% of banking transactions will take place online.

Researchers are becoming more interested in Internet banking as a result of the rapid growth in Internet usage and the massive funding initiatives in electronic banking. Despite the fact that Internet banking systems have cost hundreds of billions of rupees to develop, reports indicate that even while the systems are available, they may not be used by potential consumers. Research is required to determine the elements that influence users' acceptance of Internet banking (Luarn and Lin, 2005). In their study, Luarn and Lin added "perceived credibility," "perceived self-efficacy," and "perceived financial cost" to the theoretical framework of the technology acceptance model (TAM), which already contains perceived ease of use and perceived utility. The outcomes provide significant support for the expanded TAM's ability to forecast users' intentions to use mobile banking. In their study, Bomil and Ingoo (2002) demonstrated that two beliefs—ease of use and usefulness—partially account for users' actions in new environments like online banking. They included trust as a further TAM principle that affects the acceptability of online banking. Their statistical investigation



revealed that one of the most important beliefs in determining a customer's attitude about using Internet banking is trust. In the context of online banking, trust influences behaviour more directly than perceived ease of use, although perceived ease of use has a larger overall impact on a customer's actual use. In addition to using the TAM, Wang et al. (2003) added a new component called "perceived credibility" that takes into account users' security and privacy concerns while deciding whether to adopt Internet banking. The impact of computer self-efficacy on the intention to use Internet banking was also investigated in the study. The results, which are based on a sample of 123 users from a telephone interview, substantially corroborate the expanded TAM's ability to forecast users' intentions to utilize Internet banking. Additionally, it shows how significantly computer self-efficacy affects behavioural intention through perceptions of usability, utility, and legitimacy. Koufaris et al. (2002) looked at how consumer attitudes and experiences affected online impulse buying and return intentions. The study discovered that while perceived control and shopping pleasure do not appear to motivate repeat customers to make more purchases online, they can raise the intention of new web users to do so. Additionally, clients' shopping satisfaction is increasingly influenced by their product participation the more frequently they visit a web business. According to a different study by Kambil et al. (2000), companies that conduct business online are most significantly impacted by senior management's support and technological difficulties such information security. The Internet has an impact on the future structure of distribution channels in two ways: (a) it is a new channel for the distribution of financial services; and (b) it encourages users to invest time and money in learning how to use computers and the Internet. Mols (1998) contrasted the behaviour of users and nonusers of computer-based home banking systems in a different study. According to the findings of the Pearson's and Spearman's correlation analyses, net banking users are more satisfied, less price-sensitive, more likely to repurchase goods, and spread favorable word of mouth than non-users. These findings suggest that for banks, PC banking systems will eventually develop into a reliable source of income from a sizable base of devoted clients. When comparing customers who utilise electronic delivery systems to those who use traditional channels, Hitt and Frei (2002) looked at whether and how certain traits or behaviors might vary. Using logistic regression, they came to the conclusion that only a minor portion of the variations were due to demographic factors and changes in consumer behavior after the adoption of net banking accounts. Additionally, they discovered evidence suggesting that clients who use

online banking are more likely than traditional customers to use other bank goods and services in the future. In Finland, the impact of several factors influencing attitude formation regarding Internet banking was examined by Karjaluoto et al. in 2002. They identified the characteristics that affect the development of attitudes toward online banking and their relationship to the use of online services using factor analysis. The study revealed that demographic characteristics and prior computer and technological experience have a significant impact on customers' online behaviour. A typical internet banking user is well educated, young, and has a good income. Using the critical incident technique, Jun and Cai (2001) uncovered the essential characteristics of Internet banking users and pinpointed the key factors that either satisfied or dissatisfied them, including the calibre of customer service, the product quality of banking services, and the calibre of online systems. Reliability, responsiveness, accessibility, and accuracy were the criteria of satisfaction or discontent that were most frequently noted.

The legal tender status of the Rs. 500 and Rs. 1,000 Mahatma Gandhi Series banknotes issued by the Reserve Bank of India has been revoked by the Indian government by Notification No. 2652, dated November 8, 2016. This is necessary to combat Indian currency counterfeiting, effectively negate black money held in cash, and stop terrorism funding through phoney notes. From November 9, 2016 through the close of business on November 24, 2016, cash withdrawals from bank accounts over the bank counters will be limited to a maximum of 'Rs.10,000 each day subject to an overall limit of '20,000 per week. On Wednesday, November 9, 2016, all scheduled and unscheduled banks, including public, private, foreign, cooperative, regional rural, and local area banks, will be closed to the general public. The Reserve Bank of India will soon release "2000 denomination banknotes of the Mahatma Gandhi (New) Series," having the inset letter "R," Dr. Urjit R. Patel's signature as Governor of the Reserve Bank of India, and the year of printing "2016" printed on the reverse of the bank note. '500 denomination banknotes in the Mahatma Gandhi (New) Series with inset letter 'E' in both the number panels, bearing the signature of Dr. Urjit R. Patel, Governor, Reserve Bank of India, the year of printing '2016,' and the Swachh Bharat Logo printed on the reverse of the Banknote will be released by the Reserve Bank of India shortly. On November 12 and 13, 2016, all scheduled and unscheduled banks, including public, private, foreign, cooperative, regional rural, and local area banks, will remain open to the public. On November 12 and 13, 2016, all bank branches should remain open as normal



business days for all transactions. Banks may publicise the availability of banking services appropriately on these days. It has been agreed that Payment Systems (RTGS, NEFT, Cheque Clearing, Repo, CBLO, and Call markets) will stay open on Saturday, November 12, and Sunday, November 13, 2016 as a result of the banks remaining open for public transactions on those days. It is recommended that all participants and member institutions make the above payment systems available to their customers on November 12 and 13, 2016 as normal business days. Banks may publicise the availability of the aforementioned payment system services appropriately on these days. According to reports, some dishonest individuals are spreading rules and instructions online under the guise of being issued by the Reserve Bank, confusing the general public and bank employees. Therefore, banks and the general public are advised to follow only those instructions that are either posted on the Reserve Bank's official website or those they have received through official correspondence from the Reserve Bank. The public and banks are warned not to rely on unreliable, unsecured channels like social media, where it is difficult to verify the veracity of the documents being distributed.

E-banking is a relatively new concept in India. Branch banking has been the established model for banking. Non-branch banking services didn't commence till the early 1990s. The time-honored manual techniques that Indian banking relied on for generations appear to be obsolete today. ICICI Bank deserves credit for introducing internet banking in India. In 1999, Citibank and HDFC Bank launched their own internet banking systems. Since then, other initiatives have been implemented. E-banking development will be facilitated by the Reserve Bank and the Government of India. A study by the international management consulting firm McKinsey & Company found that branch banking has decreased by a full 15 percentage points, while as many as 7% of account holders in the nation use the Internet for banking activities. "The percentage of bank customers who use the Internet has increased dramatically during the 2010–2011 survey, reaching close to 7% of the total. a seven-fold increase since 2007 despite the fact that branch banking declined by a full 15 percentage points during the same time period for the first time in the previous 13 years," Renny Thomas, partner and head of retail banking services at McKinsey & Company India, predicted that India's 159 million current mobile Internet users will increase to 314 million by the end of 2017. The IT Act, 2000 was passed by the Indian government and went into effect on October 17, 2000. It gave electronic transactions and other forms of electronic commerce legal legitimacy. To ensure that e-banking would expand along sound lines and that e-

banking-related issues would not represent a threat to financial stability, the Reserve Bank continuously monitors and reviews the legal and other requirements of e-banking. For the Reserve Bank and banks, a high-level committee led by Dr. K.C. Chakrabarty and including representatives from IIT, IIM, IDRB, banks, and the Reserve Bank created the "IT Vision Document- 2011-17," which offers a general road map for increased IT usage in the banking industry. E-banking is one of the measures Indian commercial banks have adopted to deal with the pressure of the pressure of increased competition. The competition has been especially tough for the public sector banks, as the newly established private sector and foreign banks are leaders in the adoption of e-banking.

Growth of E- Banking:

Out of total amount of e-banking during 2008, RTGS accounted for 99.08 per cent share. However, during 2017, RTGS accounted for 87.05 per cent share and NEFT accounted for 11.5 per cent share. Amount of mobile banking constituted for 1.22 per cent while amount of ECS accounted for less than 0.2 per cent. There has been increase of more than 5 times in the amount of transactions through e-banking in India during the period of 2008-2017. The emergence of the Internet has had a significant impact on the diffusion of electronic banking. With the help of the Internet, banking is no longer bound to time or geography. Consumers have relatively easy access to their accounts 24 hours. It offers less waiting time and more convenience as compared to the traditional banking system and significantly lowers the cost structure than traditional delivery channels. It also reduces the time and place limitation and it provides various benefits to consumers so that they feel convenient while doing banking activities. Information Technology has helped in increasing the speed and efficiency of banking operations by facilitating the emergence of innovative products and new delivery channels. The role of the Reserve Bank as the driver of technology initiatives in the banking sector assumes greater importance given the challenges posed by rapid advancements in technology. The Reserve Bank of India has played important role in implementation of information. There has been significant increase in retail banking in India. Retail banking has increased with the increasing e-banking services and growth in services sector of economy. There has been boom in retail business and many whole sellers and retailers encourage retail advances which are being provided by public and private sector banks.

Conclusion:

Electronic banking services, whether delivered online or through other mechanisms, have spread quickly in recent years. The threat of new entrants has led many banks to offer e-finance ranging from basic to fully integrated internet services. The Indian banking sector is faced with multiple and concurrent challenges such as increased competition, rising customer expectations, and diminishing customer loyalty. The numerous challenges faced by banks such as increasing competition, pressure on spreads, and systemic changes to align with international standards have necessitated a re-evaluation of strategies and processes in order to remain competitive in this dynamic environment. The emergence of the internet has significant impact on the diffusion of electronic banking. With the help of the internet, banking is no longer bound to time or geographical boundary. Consumers have relatively easy access to their accounts 24 hours. Therefore, Internet banking provides many benefits to both banks and their customers. One advantage of banks going online is the potential savings in the cost of maintaining a traditional branch network while internet banking is extremely beneficial to customers because of the savings in costs, time and space, its quick response to complaints, and delivery of improved services. In this part of dissertation, an attempt has been made to examine the e – banking services and satisfaction of bank customers regarding internet banking services.

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