

# Electronic Banking: A Society without Cash

Dr.Sasmita Nayak

Asst.Prof, MBA Deptt. COEB

## Abstract:

An important factor in a nation's economic progress is the banking industry. An economy's lifeline can be described as a robust banking sector. The Indian banking sector is currently experiencing an IT revolution. The use of the internet in banking institutions has brought about a modernization of the industry. The adoption of the e-banking strategy has been advantageous for banks and customers alike. Online banking has been adopted by banks worldwide due to its advantages, and Indian banking institutions are no exception. In the Indian banking sector, the competition between banks has resulted in a rise in overall banking automation.

In the current situation, online banking is quite significant. Internet banking, among other metrics, is used to gauge the advancement of e-banking.

Key word:IT Revolution,e-banking

**Objectives:** The objective of this paper deals with defining the concept of e-banking, its impact on Indian banking system, and to identify the challenges and opportunities of adopting e-banking in the Indian context.

**Methodology:** The paper is based on secondary data. The secondary information is gathered from various reference books related to e-banking; Trade commerce, industry, economics and management.

The secondary data is also collected from various websites and other related literature and reviewed it from the various national and international research journals which are related to Internet banking business practices.

## Introduction:

In recent years the world economy has experienced another marvel which is considered as one the most imperative changes since the industrial revolution, i.e. the birth of "Internet-based Economy". The trend of E-banking an account is spreading fast in developing countries. Banks are encouraged to give web setting aside cash organization to its worldwide customers. It is demonstrated as a financially savvy path for banks. It has enriched relationship with customers by providing them easy to operate mechanism for banking and financial functions. Many innovative banking products are customized to cater the individual customer's needs. It provides an online platform for various banking transactions through which it offers various services like checking account balance, transaction history, paying bills, online transfers funds between accounts, requesting credit card or cheque books, managing investments, online stock trading, on line shopping etc. The utilization of web as a conveyance channel for saving money

administrations is expanding generally in managing an account division. Internet banking facilities enable financial institution and customers to access their accounts, transactions and getting information on financial products & services. Now a day's the majority of the business banks has propelled different administrations through web saving money, including most recent administration like opening web based sparing records and interest for these administrations is expanding quickly.

### Internet Banking:

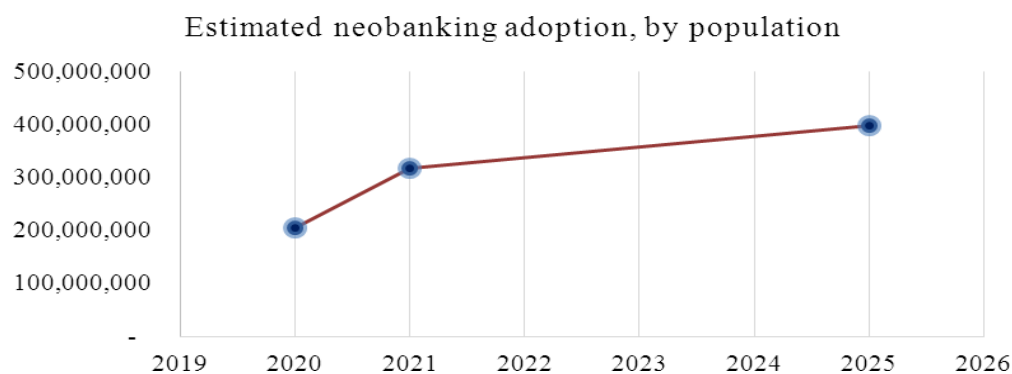
:Internet banking, e-banking, e-managing an account or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the monetary foundation's site. It is a generic term making use of electronic channels through a personal computer (PC), personal digital assistant (PDA), automated teller machine (ATM), kiosk, or touch phone etc., for delivery of banking services and products. The concept and scope of e-banking is still in the transitional stage. E-banking has broken the barriers of branch banking.

### Current Scenario of Internet Banking in India:

Internet Banking has become a fundamental piece of keeping money framework in India. The idea of e-banking is of fairly recent origin in India. Till the early 1990's traditional model of banking i.e. branch based banking was prevalent, but after that non-branch banking services were begun. The Govt. of India enacted the IT Act, 2000, with effect from the October, 17<sup>th</sup> 2000, to examine different aspects of internet banking. RBI set up a committee on Internet Banking. The committee had focused on three major areas of Internet banking, Technology and security issues, legal issues and regulatory and supervisory issues. RBI had accepted the suggestions and recommendations of the Working committee and accordingly issued guidelines for banks to implement internet banking in India. The old manual frameworks which were common in Indian managing an account for a considerable length of time appear to supplant by present day advances.

The extra push that the "COVID-19" has given to digital banking and payments continues to accelerate into 2021, according to research by finder. However, even though the pandemic continues to rage, maintaining the digital momentum of 2020 beyond the current appeal of contactlessness and remote banking isn't a given. It will require banks and credit unions to double down on seemingly pedestrian features that customer require to feel comfortable with new channels.

Over the next year, a further 12% of respondents say they plan to open a digital-only or 100% online bank account and an additional 9% say they plan to open one over the next 5 years. That means within 5 years, more than 397 million Indian adults are expected to hold online-only bank accounts.



Source: Google survey, march 2020

Who is most likely to use a 100% online banking account?

Men are currently more likely than women to have a digital-only or neobank account. According to the study, 24% of men are neobankers, compared to 15% of women – a difference of 9 percentage points. However, when you take into account those planning to open an account, the gap widens. By 2025, 34% of women say they plan to have an online-only bank account compared to 46% of men.

Table no. 1 and 2 exhibit a few facts and figures related to internet/electronic banking to present its current scenario. Table 1 shows evidence for ATM, POS (Point of sale) and electronic cards (credit and debit cards) deployed and issued by the schedule commercial banks (SCBs) in India as of December 2020. It also provides evidence of the growing statistics of mobile banking users in India. According to it currently 2,08,480 ATM, 57,41,106 Point of sale devices, 60.39 million credit cards and 886.41 million debit cards are working in India. The table also shows the growth rate of these banking channels and it seems to be great in Indian context. Table no. 2 shows transaction statistics performed through banking delivery channels. By December 2020, the number of transections through ATM/credit cards were increased by 45.39 percent and through POS by 73.84 percent and so on.

**TABLE-1**

**Various Internet/Electronic Banking Delivery Channels**

Type of internet/electronic channels	Number of Channels			Growth (%)
	Year			
	Dec-14	Dec-17	Dec-20	
No of ATM deployed (In Actual Figure)	1,45,858	2,06,609	2,08,480	0.90%
No of POS deployed (In Actual Figure)	10,34,161	20,15,847	57,41,106	64.89%
No of CREDIT CARDS issued (In Millions)	18.97	28.84	60.39	52.24%
No of DEBIT CARDS issued (In Millions)	380.33	778.56	886.41	12.17%

Source: Compiled from Bank wise ATM/POS/Card Statistics, Reserve Bank of India website

**Table-2**

**Transactions Through Internet/Electronic Banking Delivery Channels**

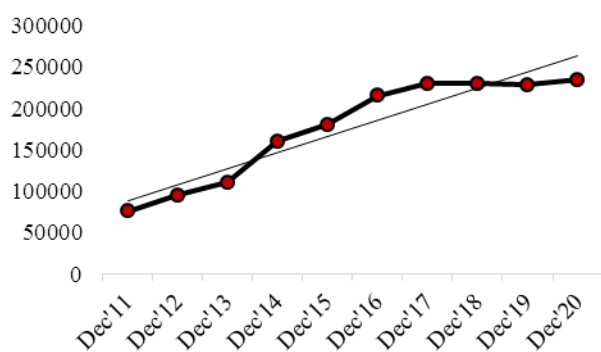
Transaction Through	Transactions (In Millions)		Growth (%)
	Year		
	Dec-14	Dec-20	
Credit Cards; No. of Transactions (Actual)			
ATM	274156	502048	45.39%
POS	45578598	174207947	73.84%
Amount of Transactions (Millions)			
ATM	1505.73	24669	93.90%
POS	141620.33	6360057	97.77%
Debit Cards; No. of Transactions (Actual)			
ATM	53837754	591521092	90.90%
POS	53832983	379177310	85.80%
Amount of Transactions (Millions)			
ATM	1722318.05	30648321	94.38%
POS	84977.59	6467611	98.69%

Source: Compiled from Bank wise ATM/POS/Card Statistics, Reserve Bank of India website

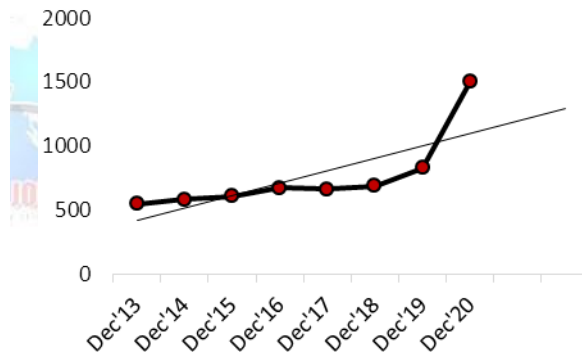
### A Paradigm Shift: Online and ATMs usages

- The wide scope and ease of online banking has led to a paradigm shift from traditional branch banking to net banking
- Around 45% people are using Internet banking, which remains the most favorite mode of payment among internet users in India
- Extensions for facilities such as fund transfer, account maintenance and bill payment at ATM stations have reduced branch banking footfall
- The increase in the number of ATMs would lead to increase in the number of ATMs per million population from 205 thousand units in 2016 to about 300 thousand units by 2017 and later a declining numbers causing a rapid increment in online users
- Post the announcement of a demonetisation drive by the Central Government on 8<sup>th</sup> November 2016, banks all over the country witnessed a surge in card usage, especially debit cards, for purchasing and making payments
- Debit card spends in June rose to 77% of the levels seen in February before the pandemic hit. In May, debit card spends were at 59% of February levels. For credit cards, spends in June rose to 69% of February levels compared to just 52% in May. (shown in pic IV. below)

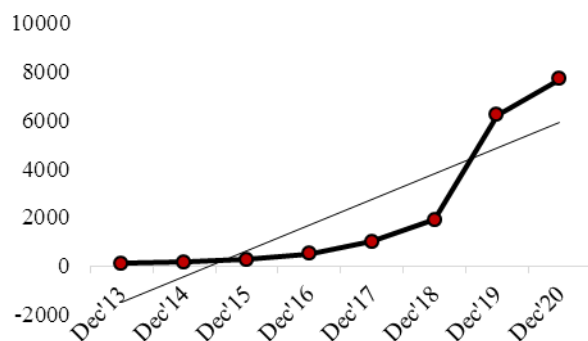
Trends of ATM machines in India (Numbers)



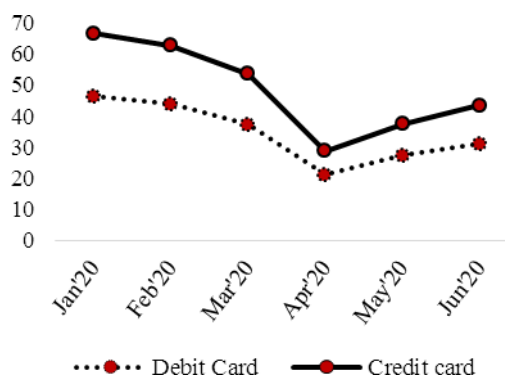
Number of foot falls at ATM machines (Millions)



Number of mobile banking payments (Millions)



Card Transactions volumes (Millions)



Source: Compiled from Bank wise ATM/POS/Card Statistics, Reserve Bank of India website

Internet Banking offers different online services in India. According to a report published by the Reserve Bank of India (RBI), there are three distinct levels of banking services offered through internet banking:

**The first level i.e. Fundamental level services:** It is basically about websites which spread data about different services and products offered by banks. It generally includes receiving and replying to customers' inquiries through e-mail.

**The following level i.e. Simple Transactional Websites:** It enables customers to present their instructions and applications for various services, queries about their account balances, etc. but do not permit any fund-based transactions on their accounts.

**The third level i.e. Completely Transactional Websites:** It enables customers to deal with their records, facility of fund transfer, bill payment, ticket booking, avail facility of other banking products and services and trading in securities etc.

The use of the internet by the customers for banking or financial services has seen an upward movement during the 2010-11 survey. As per the report of McKinsey & Company India, the number of bank consumers who use the internet for banking information and transactions are close 7% of the aggregate bank account holders. When contrasted with the year 2007 it is a sevenfold increase of users opting for internet banking. The increased usage of internet banking has affected the traditional banking system in India i.e. branch based banking as for the first time in the last thirteen years, branch banking has decreased by a 15 percentage points during the same period.

To sustain in the growing competition, commercial banks in India have adopted several initiatives to improve banking services and to gain competitive advantage. The few of the initiatives taken by Indian banks for internet banking are mentioned below:

- Bank of India (BOI) recently launched its card-less money withdrawal service. This facility encourages clients to send cash to anybody utilizing Internet banking or by using ATM, with the assistance of a beneficiary's portable number.
- The Business Transformation Program is being actualized by the Bank of Baroda which will give its client accommodation counts on a 24 X 7 premise in India and abroad with incorporated conveyance channels like, Internet, Phone, Mobile, and others.
- A number of Indian banks have executed Online Tax Accounting System (OLTAS) for a gathering of charges in the interest of Central Board of Direct Taxes, Government of India.
- ICICI bank launched 24x7 electronic branch, which is a one-stop shop for all banking transactions. It offers facilities such as cheque deposit machine and an electronic kiosk through which customers can be accessed internet banking services. ICICI Bank has also introduced E-Locker for its customers. It is a virtual locker, which can be accessed through ICICI internet banking which facilitates customer to store soft copy of their important documents safely such as legal documents, agreements, policies and various important certificates. ICICI bank is offering various gifts to customers for start to use internet banking for the first time.
- The banks are influencing their essence via web-based networking media like Facebook and Twitter for focusing on enormous client base and in addition potential clients, there

will be round-the-clock tweets and remarks on the banks' items and administrations. Subsequent to propelling records on Facebook and Youtube, SBI made one more stride on the online networking by propelling a twitter handle.

### **Advantage and Disadvantage of Internet Banking/E-Banking:**

#### **Advantages:**

Internet Banking has several advantages over traditional banking one which makes operating an account simple and convenient. It allows you to conduct numerous transactions using the bank's website and offers various advantages. Some of the advantages of web banking are:

- Online account is simple to open and easy to work.
- It is quite convenient as it can easily pay bills, can transfer funds between accounts, etc. Now; do not have to stand in a queue to pay off bills; also do not have to keep receipts of all the bills as it can now easily view account transactions.
- It is accessible all the time, i.e. 24x7. It can perform its tasks from anywhere and at any time zones; even at night when the financial institutions are closed or on holidays. The only thing need to have is an active internet connection.
- It is quick and proficient. Funds get exchanged from one account to the other very quick. The same can also manage several accounts easily through e-banking.
- Through e-banking, the same can keep an eye on its transactions and account balance all the time. This facility also keeps account **safe**. This means by the ease of monitoring of account at any time, and can get to know about any fraudulent activity or threat to accounts before it can pose to severe damage.
- Internet banking also acts as a great medium for the banks to vitalise their products and services. The services include loans, investment options, and many others.

#### **Disadvantages:**

Though there are many advantages of e-banking, but nothing comes without disadvantages and everything has its pros and cons; the same is with i-banking. It also has some disadvantages which must be taken care of. The disadvantages of e-banking include the following:

- Understanding the usage of internet banking might be troublesome for a beginner at the first go. In spite of the fact that there are a few locales which offer a demo on the best way to get to online records, yet not all banks offer this official. In this way, a man who is new might confront some trouble.
- You cannot approach to online banking if you don't have an internet connection; consequently without the availability of internet access, it may not be helpful.
- Security of exchange & transactions is a major issue. Your record data may get hacked by unapproved individuals over the web.
- **Password security** is an unquestionable requirement. In the wake of getting your secret word, do transform it and retain it generally your record might be abused by somebody who becomes more acquainted with your watchword coincidentally.
- You cannot utilize it, in case, the bank's server is down.
- Another issue is that sometimes it becomes difficult to note whether your transaction was effective or not. It may be due to the loss of net connectivity in between, or due to a slow connection, or the bank's server is down.

### **Initiatives taken by the government of India for developing the E-Banking:**

For growth and development and to promote e-banking in India the Govt. of India and RBI have been taken several initiatives.

- The Government of India enacted the IT Act, 2000 with effect from October 17, 2000 which provided legal recognition to electronic transactions and other means of electronic commerce.
- The Reserve Bank monitors and reviews the legal requirements of e-banking on a continuous basis to ensure that challenges related to e-banking may not pose any threat to financial stability of the nation. The IT Vision Document- 2011-17, which provides an indicative road map i.e. guidelines to enhance the usage of IT in the banking sector.
- The Reserve Bank is striving to make the payment systems more secure and efficient. It has advised banks and other stakeholders to strengthen the security aspects in internet banking by adopting certain security measures in a timely manner. RBI believes that the growing popularity of these alternate channels of payments (such as: Internet Banking, Mobile Banking, ATM etc.) brings an additional responsibility on banks to ensure safe and secure transactions through these channels.
- National Payments Corporation of India (NPCI) was permitted by the RBI to enhance the number of mobile banking services and widen the IMPS (Immediate Payment Service) channels like ATMs, internet, mobile etc. Along with this, NPCI is also working to bring more mobile network operators which can provide mobile banking services through a common platform.
- On the recommendations of the Damodaran Committee, the guidelines were induced by RBI that provide internet banking as totally secured and protected, zero-liability against loss of any customer induced transaction & multi-lateral arrangements among banks to deal with internet banking frauds. To deal with online banking frauds, customers can approach with their complaints to Banking Ombudsman. Under this Banking Ombudsman Scheme 2006, a customer can file their complaint against any deficiencies in banking service including internet banking, credit cards & ATM.
- The Basel Committee on Banking Supervision's (2001) has defined risk management principles for electronic banking. They primarily focus on how to extend, adapt, and tailor the existing risk-management framework for the electronic banking setting.

### **Challenges in adoption of E-Banking:**

E-banking is facing following challenges in Indian banking industry:

- Not safe and secure: The most serious threat faced by e-banking is that it is not protected and secures all the time. There might be loss of information because of specialized defaults.
- High start up cost: E-saving money requires high introductory start up cost. It incorporates web establishment cost, cost of cutting edge equipment, programming, modem, PCs, cost of support of all PC types of gear, and cost of reorganizational structure.

- Lack of Professional: There is deficiency of web engineers' substance suppliers and educated experts to perform banking exercises through web.
- Restricted Business: All banking transactions cannot be performed electronically. Many banking activities require personal visit of customers.
- Improper infrastructure: There is lack of proper infrastructure for the installation of e-conveyance channels.
- Unavailability of internet services: availability of internet band width and connectivity is not uniform.
- Competition: The nationalized banks and commercial banks have the competition from foreign and new private sector banks. Competition in banking sector brings various challenges before the banks such as product positioning, innovative ideas and channels, new market trends, cross selling ad at managerial and organizational part this system needs to be manage, assets and contain risk. Banks are restricting their administrative folio by converting manpower into machine power i.e. banks are decreasing manual powers and getting maximum work done through machine power. Skilled and specialized man power is to be utilized and result oriented targeted staff will be appointed.

### **Opportunities in 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:

**Increasing Internet Users & Computer Literacy:** To utilize e-banking it is very important or initial requirement that people should have knowledge about web technology so that they can easily adopt the e-banking services. The fast moving web users in India can be a very big opportunity and banking industry should encash this opportunity to attract more internet users to adopt e-banking services. The below figure shows evidence of increasing number of mobile internet users in India. As per the last available data (fig: 1), as on 2013, there were 110 million Indians who are using mobile internet and it has increased more than three times in recent year approximately 314 million in the year 2017. The number of internet user has also increased from 189.6 million in the year 2013 to 503 million in the year 2017 as per IMAI-IMRB Internet in India industry report (Fig: 2). It is very much evident through the data provided by IMAI (The Internet and Mobile Association of India). According to the ComScore Report, 2013 India is now world's third largest Internet user after U.S. and China. The computer literacy has gone upward in the last decade. Those with higher IT literacy may have a more positive perception towards e-banking in general and may thus, be more likely to accept e-banking services.

**Initiatives taken by government agencies for financial literacy:** Financial literacy and education play a crucial role in financial inclusion, and inclusive growth and development. A study reported that there is significant impact of financial literacy on use of e-banking, If customers are not financially educated, they will simply avoid using new online services and not prefer to change their traditional way of banking, thus banks will not be able to convert users into their new online web banking strategies. Various Govt. institutions like RBI, SEBI, IRDA and various other market players have taken a number of initiatives on financial education. They have arranged school educational modules alongside different themes 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.

**Competitive Advantage:** The advantage of adopting e-banking provides a competitive advantage to the banks over different financial players. The implementation of e-banking is useful for bank from various perspectives as it lessens cost to banks, improves customer relation, increases the geographical reach of the bank and so forth. The advantage of e-banking has become opportunities for the banks manage their banking business in a better way.

### **Conclusion & Scope for further research:**

With the time, the idea of e-banking has got consideration in the Indian context. The majority of the banks has already implemented the e-banking facilities, as these facilities are beneficial to both i.e. banks as well as consumers. But the adoption of e-banking by the consumers is still at the early stage due to various challenges. The challenges such as security risk, privacy risk, trust factor and less awareness among consumers about e-banking are acting as a hurdle in the adoption of e-banking facilities. Considering the challenges and risk related to e-banking, the Govt. of India along with various government agencies is making an effort to make e-banking more safe, secure and reliable.

The paper only presents the overview of e-banking in Indian context. Studies in the past have shown that with the time Indian consumers are opting internet banking services with the time. Considering this in mind, the future studies may be conducted to analyze the various factors which influence the consumer intention to adopt internet banking services.

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