
CURRENT TRENDS IN E-BANKING IN INDIA: CHALLENGES, OPPORTUNITIES AND FUTURE OUTLOOK

BY YUTHIKA SAWANT¹ & DR. GEETA SHRIVASTAVA²

ABSTRACT

E-banking, sometimes referred to as online banking, virtual banking, or internet banking, is a system that facilitates banking transactions such as fund transfers, loan and EMI payments, and cash deposits and withdrawals using the internet. E-banking is essential to contemporary banking operations. Electronic banking is considered to be safer and more secure than traditional banking. It guarantees superior banking operations in comparison to conventional banking. E-banking in India is in the nascent phases of expansion and advancement. Competition and technological advancements have transformed the banking sector. The objective of the study is to highlight the concept of e-banking. This study employed a research strategy utilizing secondary data sourced from several databases of books, research papers, and pertinent articles on e-banking accessible online. This study aims to delineate the current situation of e-banking in India and analyze the associated obstacles and prospects. The banking sector is enhancing client happiness and loyalty through e-banking. Banks ought to furnish their clientele with convenience, which entails providing services through many distribution channels and facilitating access to internet services for the customer.

KEYWORDS: E-banking, Internet, Electronic Payment, Challenges, Opportunities.

I. INTRODUCTION

Contemporary banking has simplified the process, providing a secure method for individuals to safeguard their hard-earned finances in bank accounts. Technology has streamlined processes to a mere click, enabling individuals to move funds across accounts without enduring lengthy waits. A multitude of options exists for individuals, including debit cards, credit cards, e-wallets, internet banking, and mobile banking, which have supplanted traditional transaction

¹ Author is a research scholar at Himalayan University.

² Author is a research guide at Himalayan University.

methods. Previously, electronic payments were limited to substantial, one-time transactions, with checks serving as the primary transaction instruments until technological advancements emerged. Even minor transactions are facilitated by e-banking, enhancing convenience for consumers in settling their payments. The adoption of e-banking services by clients allows banks to achieve returns on their investments and fosters a competitive landscape.

a. DEFINITION AND CONCEPT OF E-BANKING

E-banking is frequently characterized as internet-based banking (Hertzum et al., 2004).

UNCTAD (2002) defines E-banking as the provision of retail or wholesale banking services via the internet, encompassing individual and corporate clients, and involving bank transfers, payments and settlements, documentary collections and credits, corporate and household lending, card services, among others.

In the late 1990s, numerous banks began to perceive web-based banking as a strategic necessity. To retain consumers and foster loyalty, banks sought web-based banking solutions. Electronic banking encompasses the method via which a consumer can conduct banking transactions electronically, eliminating the need to visit a physical institution. Electronic banking services commenced their development in 1995, when the Maryland Presidential Bank, an American institution, permitted the online opening of bank accounts. Internet banking (e-banking) enables users to access a range of financial goods and services, both small and large in value, via electronic channels. Internet banking encompasses banking services accessible to customers at any time and from any location for their convenience; it is also referred to as PC banking, online banking, cyber banking, or virtual banking.

II. REVIEW OF LITERATURE

A concise literature review has been presented, drawing on several pertinent studies conducted globally in the field of e-banking.

Ansari, Seharish J. & Khan, Nisar A. (2017) This analysis examines the advancements and obstacles of e-banking in India from 2011 to 2016, while also highlighting the condition of retail electronic payments in the post-demonetization era. Their survey indicates that the number of internet users rose from 2,231,957,359 to 3,424,971,237 in 2016, reflecting an approximate growth of 53.45% during that period. The internet penetration rate as a percentage of the population rose from 31.8% in 2011 to 46.1% in 2016. The number of debit and credit

card users has consistently risen. The volume of credit card transactions grew at a CAGR of 22.25%, while debit card transactions rose at a CAGR of 12.33% over the study period. Following demonetisation, from November 2016 to May 2017, RTGS (real-time gross settlement), NEFT (national electronic fund transfer), and UPI (unified payments interface) experienced a compound annual growth rate (CAGR) of 4.72%, 1.95%, and 60.50%, respectively. Mobile banking had a persistent drop. Their study also highlights the difficulty posed by the growing number of internet users and the necessity for banks to fulfill the expectations of these technologically adept individuals.

Chauhan, V. & Chaudhary, V. (2015) Concentrated on comprehending the concept of internet banking and its advantages from the viewpoints of consumers and banks, together with the present state of internet banking. From 2010 to 2014, mobile banking experienced the largest growth percentage at 495.64%, but credit cards exhibited the lowest growth at 11.07% during the same period. NEFT and RTGS transactions experienced increases of 602.69% and 89.29%, respectively. Their conclusion indicated that the majority of banks have adopted e-banking services advantageous to both consumers and banks; nonetheless, concerns regarding safety, security, and reliability must be addressed by the banks.

Manikyan, Ratna (2014) examined the effects of liberalization, privatization, and globalization on Indian banks, along with the ensuing opportunities and difficulties. The study indicated that the primary problems for banks serving the masses and corporations in India are the need for distinct offerings to compete effectively with global banks. Additionally, the report underscored the importance of establishing knowledge-driven businesses to withstand global competition from banks.

The aforementioned studies on e-banking have concentrated on its advancements and associated obstacles. The focus is mostly on the technological dimensions of banking. They have not concentrated on the digitalization of the banking industry, the many elements of e-banking, or the transition to a cashless economy, considering the current level of internet penetration and the various initiatives introduced by the Government of India and the RBI.

Haq & Khan (2013) examined the obstacles and prospects inside the Indian Banking sector. The research indicated that merely 28 percent of banking clients utilized internet banking following an assessment of demographic variables. The study revealed no significant correlation between age and the utilization of cyber banking. The findings indicated that there is no correlation between gender and the use of internet banking. The study noted that the

respondents' educational qualifications and income levels influenced their adoption of online banking. The study indicated that enhancing users' financial literacy through various initiatives conducted by banks is essential to raise awareness of internet banking.

Seranmadevi, R (2012). Diverse e-Banking options may appeal to prospective clients due to enhanced accessibility, cost-effectiveness, and user-friendliness. It also emphasizes the functioning of electronic credit cards, usage frequency, repayment methods, and value-added services provided with the credit cards for various client demographics.

Dangwal, R.C. (2010). Technology is advancing swiftly and experiencing numerous transformations. It signifies the integration of communication technologies, information systems, and new applications in product manufacturing, design, and control. The advancement of technology has transformed the world into a global village and initiated a revolution in the financial sector.

Servon, (2008). Internet banking is transforming the financial sector, as banking is no longer confined to physical branches, cash deposits, or withdrawals. With the advancement of technology, computer banking, direct deposits, and stored value cards are being utilized.

According to **Saleh and Andrea (2002)**, Electronic banking is obtaining banking services through electronic delivery means. Although several scholars have defined the word electronic banking in different manners, they all concur that e-banking involves obtaining bank services via ATMs, PCs, mobile devices, etc., at any time. Any location that guarantees availability throughout the day, including weekends and holidays. Customers are not required to visit bank locations for transactions such as deposits, withdrawals, or applications.

III. RESEARCH METHODOLOGY

This study utilized secondary data sourced from several databases of books, research papers, and pertinent articles available online regarding e-banking.

IV. OBJECTIVES OF THE STUDY

- To understand the principles of e-banking.
- To examine the present state of financial innovations within the Indian banking system.
- To examine the obstacles encountered in electronic banking.
- To examine the diverse potential present in electronic banking.

V. PRESENT STATUS OF E-BANKING IN INDIA

E-banking has become an essential component of the financial system in India. Prior to the 1990s, the conventional model of banking, characterized by branch-based operations, was dominant; however, subsequent to that period, non-branch banking services were introduced. ICICI Bank is credited with pioneering internet banking in India. Subsequently, Citibank and HDFC Bank introduced internet banking services in 1999. The Government of India implemented the IT Act, 2000, effective October 17, 2000, which conferred legal status to electronic transactions and various forms of e-commerce. The Reserve Bank is continuously monitoring and analyzing the legal and other requirements of e-banking to ensure its development is sound and that related difficulties do not threaten financial stability. As to an RBI report from January 2016, India has 196,079 ATMs and 1,337,310 point-of-sale devices. In response to increasing competition, Indian commercial banks have implemented many initiatives, including e-banking. The rivalry has been particularly challenging for public sector banks, since newly founded private and international institutions excel in the use of e-banking. Indian banks provide their customers with various e-banking products and services, including Automated Teller Machines (ATMs), Internet Banking, Mobile Banking, Phone Banking, Telebanking, Electronic Clearing Services, Electronic Clearing Cards, Smart Cards, Doorstep Banking, and Electronic Fund Transfer.

The RBI's 2023-24 annual report indicates substantial growth in digital payments in India, with a 44.3% increase in volume, underscoring a vigorous e-banking environment, particularly propelled by the UPI platform, which achieved exceptional transaction volumes, exceeding 13 billion transactions per month in March 2024; nonetheless, the growth rate was marginally lower than the previous year's 58.3%.

a. Challenges In E-Banking:

E-banking is in the nascent phase of development in India. The majority of these are fundamental services. The liberalization of the e-banking sector, along with the advent of innovative banking technology, is facilitating the rapid and effective entry of new competitors into the financial services market. Nonetheless, it is essential to acknowledge the necessity of perception norms and enhancements in the efficacy of e-banking services.

- i. **Navigating Security Risks in the Digital Age:** The issue pertaining to security has emerged as a primary worry for banks. A significant number of clients declines to utilize e-banking

services due to apprehensions regarding security and ambiguity. The IAMAI Report (2006) indicates that 43% of internet users in India refrain from utilizing internet banking due to security apprehensions. This presents a significant challenge for marketers while addressing consumers' security concerns, potentially leading to a rise in online banking utilization.

- ii. **Building the Trust Factor:** Trust constitutes the primary obstacle to internet banking for the majority of users. Customers favor conventional banking due to a deficiency of trust in internet security. They perceive internet transactions as hazardous, which may lead to fraud. While utilizing e-banking services, numerous inquiries may emerge in customers' minds, such as: Did the transaction successfully process? Did I activate the transfer button once or twice? Trust is a crucial aspect that affects customers' propensity to deal with online retailers.
- iii. **Empowering Customers Through Awareness:** Consumer awareness of e-banking facilities and procedures remains very poor in the Indian context. Banks are unable to provide accurate information regarding the usage, advantages, and features of internet banking. A lack of information regarding new technologies and their advantages is one of the foremost obstacles to the advancement of e-banking.
- iv. **Managing Privacy Risks in the Digital Era:** The potential for revealing confidential information and the apprehension of identity theft are significant considerations that deter consumers from utilizing internet banking services. The majority of users perceive internet banking services as a potential risk for identity theft. The study indicates that customers are concerned about their privacy and believe that banks may infringe upon it by using their information for marketing and other secondary purposes without consumer approval.
- v. **Bolstering Public Support:** Historically, in developing nations, the majority of e-finance initiatives have emerged from collaborative endeavors between the corporate and public sectors. If the public sector lacks the requisite means to execute projects, it is crucial to foster collaborative efforts between the public and private sectors, together with multilateral agencies such as the World Bank, to facilitate public endorsement of e-finance initiatives.
- vi. **Ensuring the Availability of Personnel Services:** Currently, banks are required to offer various services such as social banking with financial opportunities, selective enhancement, computerization and innovative mechanization, improved customer service, effective managerial culture, internal supervision and control, sufficient profitability, and a robust

organizational culture. Consequently, banks must deliver comprehensive personnel services to consumers with specific expectations.

- vii. **Global Technology Integration:** The adoption of global technology in developing countries necessitates sufficient infrastructure and the enhancement of human capability prior to implementation for local needs. In undeveloped nations, numerous consumers either lack trust or do not possess access to the requisite infrastructure for processing electronic payments.
- viii. **Addressing Non-Performing Assets (NPA):** Non-performing assets represent a significant issue to the banking system. Vehicle loans and unsecured loans contribute to the rise in non-performing assets (N.P.A.), impacting 50% of banks' retail portfolios due to increasing interest rates, limitations on collection procedures, and escalating real estate prices. Consequently, each bank must ensure the consistent repayment of loans.
- ix. **Competitive Dynamics:** Nationalized and commercial banks face competition from international banks and newly established private sector banks. Competition in the banking sector presents numerous issues for banks, including product positioning, innovation, distribution channels, emerging market trends, cross-selling, and the necessity for effective managerial and organizational oversight, as well as asset management and risk containment. Banks are limiting their administrative operations by substituting human labor with automated systems, thereby reducing manual workforce and maximizing productivity through machinery. Competent and specialized personnel will be employed, and performance-driven targeted staff will be appointed.
- x. **Mastering Technology Management:** Effectively managing technology involves the development or acquisition of appropriate technology, its optimal deployment, and maximizing its use to attain and uphold elevated service and efficiency standards, all while ensuring cost-effectiveness and generating sustainable returns to shareholders. Early technology adopters have substantial competitive advantages. Consequently, managing technology represents a significant problem for the Indian banking sector.

b. Opportunities in E-banking

Despite the numerous problems now faced in the realm of e-banking in India, the following opportunities are encouraging marketers to adopt e-banking:

- i. **Unlocking the Potential of Untapped Rural Markets :** Comprising 70% of India's overall population, this demographic represents a largely unexploited market for the banking sector. Banking services have penetrated all urban areas, but only a limited number of large villages have been serviced by banks. Consequently, banks must extend their services to all remaining villages, as the bulk of Indians continue to reside in rural areas.
- ii. **Optimizing Multiple Channels:** Banks can provide numerous channels for accessing their services, including ATMs, local branches, telephone and mobile banking, and video banking, to enhance their business operations.
- iii. **Achieving Competitive Advantage :** The adoption of e-banking confers a competitive advantage to banks over their competitors. The introduction of e-banking offers numerous advantages to banks, including cost reduction, enhanced customer interactions, and expanded geographical reach. The advantages of e-banking have transformed into possibilities for banks to enhance their operational management.
- iv. **Driving Growth in Internet Usage and Computer Literacy:** The proliferation of Internet users and computer literacy is essential; individuals must possess knowledge of internet technology to effectively utilize internet banking services. The rapidly growing number of internet users in India presents a significant opportunity for the banking sector to capitalize on and encourage the adoption of internet banking services. The table indicates a rising number of internet users in India.
- v. **Building Valuable Customer Service:** Exemplary customer service serves as the most effective brand ambassador for any bank seeking to expand its company. Each interaction with consumers presents an opportunity to cultivate their trust in the bank. As competition intensifies, customer service has become the cornerstone for evaluating the performance of banks.
- vi. **The Rise and Impact of Internet Banking:** It is certain that online finance will expand, leading to greater convergence in product offerings such as banking services, share trading, insurance, and loans, driven by data warehousing and data mining technology. Ubiquitous banking will grow prevalent and necessitate enhancement, which may involve banks introducing distinct online banking services in addition to conventional banking offerings.

vii. **Retail Lending in the Modern Era** : Recently, banks have implemented consumer segmentation, facilitating the customization of their product portfolios. Consequently, retail lending has emerged as a focal point, notably concerning the financing of consumer durables, homes, and vehicles. Additionally, retail lending has facilitated risk dispersion and improved banks' revenues through enhanced recovery rates.

VI. CONCLUSION AND SUGGESTIONS

Digitalization has become essential for the banking sector in India, significantly enhancing customer service delivery. Internet banking is a crucial banking channel enabling users to do various transactions, both financial and non-financial, via a bank's website. The services provided include Internet banking, SMS banking, ATMs, mobile banking, e-cheques, UPI, and debit/credit cards. In the contemporary era of globalization, e-banking plays a crucial role in the advancement of the banking sector by addressing critical concerns and obstacles associated with it. The Indian banking sector may cultivate consumer loyalty. This can be achieved through training and development, as well as by simplifying and familiarizing the banking procedure for customers. The younger generation is increasingly recognizing the convenience and advantages of e-banking. In the future, e-banking will not only be an accepted method of banking but will also become the preferred mode of banking in India. Private sector banks constitute a larger share of the POS terminal market compared to public sector banks. The predominant method of utilizing prepaid payment instruments in the country is via mobile wallets.

The Government of India and numerous governmental agencies are striving to enhance the safety, security, and reliability of e-banking through the ease of digital channels. The majority of customers are visiting branches less frequently and are increasingly utilizing internet and mobile technology for their banking requirements. Online and mobile banking are experiencing significant growth. Currently, the majority of individuals in India utilize e-banking for their transactions, aligning themselves with the nation's contemporary landscape.

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