

## Challenges and Opportunity of E-Banking in India

Dr. Des Raj Bajwa, Associate Professor, Department of Commerce, Government P.G.College, Ambala Cantt., (Haryana),  
[desrajbajwa9@gmail.com](mailto:desrajbajwa9@gmail.com)

### ABSTRACT

*Banking of days is generally understood to be cutting edge banking. Because of IT advancements, the banking and finance industries have been able to focus on improving the quality of their products and services, as well as the level of service they provide to their customers. One of the most crucial parts of banking where IT has a constructive impact on alternatives to conventional money transfer services. In the past, transferring money quickly was nearly impossible. However, with the rise of online banking, EFT, and similar products and services, this is no longer the case. E-banking is only starting to take off in India. Competition, advances in technology, and shifts in consumer preferences over the past decade have all altered the banking industry. The very foundation of Banking in India could be threatened or enriched by the introduction of E Banking. Several initiatives taken by the Government of India and the Country's Central Bank, the Reserve Bank of India, have facilitated the development of E-Banking in India, although the concept of scope of E Banking is still expanding. This paper intends to present the difficulties and potential of E-Banking in India.*

**Keywords:** E Banking, technology, finance industries, customer services, challenges, opportunities

### 1. INTRODUCTION

Understanding how customers perceive and evaluate the quality of e-services is critical for banks to succeed in today's competitive market. Customers now demand new levels of convenience and flexibility, in addition to powerful and easy services that traditional means cannot offer. Due to factors including rising computer literacy, deregulation in the financial sector, the rapid spread of electronic commerce, shifting customer demands for innovative financial products (services), and firm commitments to cut operating costs and increase customer convenience, national, international, and global banks have begun providing E-banking services to their clientele. However, since most customers now receive services that are essentially identical across financial institutions, it is imperative that bank managers differentiate their institutions' customer service strategies from those of their rivals if they hope to maintain profitability and long-term viability. The bank's ability to differentiate itself from the competition on other criteria that can influence customer satisfaction and loyalty is increasingly dependent on the bank's ability to continue developing its internet banking capabilities by identifying strategies to increase adoption, access, and usage of this low-cost channel.

Banks spend billions on internet infrastructure, and as a result, customer satisfaction and retention are becoming increasingly important in ebanking, posing new challenges for today's bank managers who must develop strategies for promoting and dealing with e-banking. Also, in order to increase the popularity of online banking, financial institutions need to take the user's demographic information into account so that they can provide the best possible selection of services. Banks can better serve their clients by tailoring their offerings to their unique needs, wants, and preferences provided they have a thorough grasp of their customers' demographics and other identifying information. Therefore, in order to guarantee customer satisfaction and, by extension, loyalty in a long-term, stable market in the banking industry, it is necessary to have a firm grasp on the various dimensions of e-service quality and work tirelessly to improve service quality. The empirical studies that have been conducted in the past that provide evidence for the relationships between the various aspects of e-service quality, e-customers' satisfaction, and e-loyalty, as well as the moderating effects of individual characteristics, in the context of e-banking, have been reviewed.

## 2. LITERATURE REVIEW

**Tarandeep Kaur (2015)** new models need to be developed and worked out with appropriate strategies to make electronic commerce and M-commerce as key policy for the development and progress in India; it was discussed that India has the world's third largest reservoir of technical human resource, but that this is not a medium of commerce for mass people. In its current form, India's infrastructure is ideal for fostering the growth of mobile commerce for the masses, the next generation of electronic commerce. There has been a dramatic increase in the number of people with access to the internet thanks to mobile devices like smartphones and tablets. As a result, millions of consumers are making purchases over the internet; as a result, businesses can digitally build their brands and increase their productivity levels; however, government policies must ensure the use of cost-effective methods and solutions. In light of these technological developments and new service offerings, it is clear that mobile commerce (M-commerce) is quickly becoming an integral part of the Indian market.

**Unyathanakorn et al. (2014)** found that e-banks, to boost customer satisfaction and trust, and win customer loyalty, must prioritise service quality. Connections to the management of electronic banks are discussed along with the implicational links between the two. People's lives now inherently involve the Cyber World. It has altered consumer behaviour in numerous ways, one of which is the elimination of the need to physically visit a bank branch to complete monetary transactions. In order to satisfy the needs of their clients for instantaneous monetary services, commercial banks have been on the forefront of adopting this.

**N. Jamaluddin (2013)** Consequently, IT has been crucial to the development of the banking system, we conclude. Because of the widespread adoption of computerization in the banking sector, financial services in India are now available to every citizen. When it comes to banking, the ubiquity of information technology has not only facilitated easier operations, but also provided relief for those who lack a solid grounding in IT but still require efficient access.

**Roshan Lal (2012)** concluded that the introduction of IT has facilitated the growth of online banking. Banks in the present day function in a highly globalized, liberalized, privatized, and competitive environment. The utilisation of information technology is essential for banks to compete in the current market. The rapid transformations in information technology have had a profound impact on the Indian banking sector.

**Shukla and Shukla (2011)** asserted that one can perform financial management tasks from the privacy of one's own bedroom thanks to the ease of E-banking. But it still creates problems with regards to financial safety and privacy. Customers are urged to take precautions against identity theft by following these guidelines: keeping their personal identification information (PINs, passwords, OTPs) to themselves (even from bank employees); regularly changing their ATM PIN and online login and transaction passwords; properly signing out of their sessions.

**Mishra (2011)** tips for secure online shopping were provided. An important piece of advice for users of the IBT is to not provide any personal information (such as a login id or password) in response to any email, phone call, or letter that requests such information. Similarly, users should not visit any link provided in any email that falsely claims to be the link for the bank's website. This new technological paradigm gave rise to the phenomenon of electronic banking.

### 3. Challenges in E-Banking

- **Implementation of global technology:** Before developing nations can adapt global technology to their needs, they must invest in appropriate levels of infrastructure and human capacity building. Many people in underdeveloped nations lack the confidence in or access to the technology required to use electronic payment systems.
- **Strengthening the public support:** Most earlier e-finance projects in developing nations were a collaborative effort between the business and state sectors. Joint efforts between the public and private sectors, as well as multilateral agencies like the World Bank, are crucial

if the public sector lacks the resources to implement the projects in order to enable public support for e-finance related initiatives.

- **Confidentiality, integrity and authentication:** These three aspects of the banking industry are crucial, and they were efficiently handled everywhere in the globe before the advent of the internet. When it comes to building trust between a bank and its customers, an open and hence vulnerable conduit like the internet may not be the greatest foundation.
- **Customer Satisfaction:** Today's banking industry faces a significant difficulty in ensuring customer satisfaction due to the plethora of options available to clients in terms of financial services.
- **Availability of Personnel services:** Banks today are expected to offer a wide range of products and services, including social banking with financial opportunities, selective upgradation, computerization and innovative mechanisation, improved customer services, an efficient management culture, stringent internal controls, sufficient profits, a robust organisational culture, etc. As a result, banks need to have sufficient human resources to meet the needs of their clients.
- **Non- Performing Assets (NPA):** The banking industry also faces difficulties with nonperforming assets. Because of the changes in interest rates, restrictions on collection practices, and soaring real estate prices, the net interest margin (N.P.A. ), which accounts for 50% of a bank's retail portfolio, has also taken a hit. That way, it's the responsibility of every bank to ensure that loans are paid back on time.
- **Competition:** Foreign and new private sector banks present competition to the nationalised and commercial banks. The banking industry is highly competitive, and as a result, financial institutions must face a wide range of challenges, including product positioning, innovative ideas and channels, new market trends, cross selling, and, on the managerial and organisational side of things, the need to manage assets and contain risk. For cost reasons, banks are reducing the number of employees in their administrative departments and increasing the use of automated processes. Trained professionals will be put to use, and staff members who are focused on achieving certain goals will be hired.
- **Handling Technology:** To reach and maintain high service and efficiency standards while being cost effective and producing a sustainable return to shareholders, it is vital to develop or acquire the correct technology, use it properly, and leverage it to the utmost degree possible. In order to get a competitive advantage, businesses must adopt new technologies early on. In this sense, the banking industry in India has a significant challenge in the management of technology.
- **Other Challenges:** A few examples of these challenges are as follows: a) adjusting to new regulations; b) training and educating bank employees; c) ensuring customer satisfaction; d) practising sound corporate governance; e) adapting to shifting customer demands; f) keeping pace with advances in technology; g) the absence of universal standards for mobile banking; h) maintaining strong profits and growing shareholder value; I instituting structural changes; j) strategically allocating human resources.

#### 4. Opportunities

- **Untapped Rural Markets:** The banking industry in India has a lot of untapped potential, as 70% of the population is still unbanked. Although banks have expanded into most major cities, only a small percentage of larger towns have done the same. Because of this, it is imperative that banks expand their services to all unreached communities in India.
- **Multiple Channels:** In order to attract more customers, banks can make their services accessible through a variety of mediums, including automated teller machines, brick-and-mortar locations, telephone and mobile banking, online video banking, and more.

- **Worthy Customer Service:** A bank's ability to expand its business is directly correlated with the quality of the service it provides its customers. Every interaction with a customer is a chance to earn their trust and grow the bank's business. Customer service has emerged as the most important metric by which financial institutions are evaluated in light of the intensifying competition.
- **Internet Banking:** With the use of data warehousing and data mining technologies, it's obvious that the internet finance industry will grow and that there will be greater convergence in the types of financial products available (e.g., banking, stock trading, insurance, loans). It is inevitable that anytime, anywhere banking will become the norm, necessitating expansion. One such expansion is the introduction of online banking services by banks in addition to their more traditional offerings.
- **Retail Lending:** To better tailor their product portfolios to individual customers, financial institutions have recently used customer segmentation. Consequently, banks are putting more of their attention on retail lending, especially in regards to financing consumer durables, homes, vehicles, etc. Retail lending has also assisted in risks distribution and has enhanced the revenues of banks with improved recovery rates.
- **Indian Customers:** The expanding Indian banking sector, bolstered by deep links to the country, is on the lookout for a winning formula: the harmonious union of Indian culture with international best practices. Currently, the Indian consumer market has the greatest opportunity for India's banking industry. The typical Indian consumer is evolving as a result of demographic developments including both wealth and cultural shifts involving ambitions for a certain kind of lifestyle. This is, and will continue to be, a major factor in boosting the economy. These days, Indian consumers want to maximise their equity and loan resources to fund consumption and asset building so that they can realise their lifestyle goals at a younger age. The consumer is a market for many different goods and services; he may require a mortgage to buy a home, an auto loan to buy a car, a credit card to make regular purchases, a bank account, a long-term investment plan to send his children to college, a pension plan to ensure his retirement, and life insurance to protect his loved ones in the event of his untimely demise. This shopper does not restrict themselves to the top 10 cities in India, thus the options are practically limitless. His constituency includes not just major metropolitan regions, but also smaller settlements and rural communities. Banks could take advantage of this market by providing services to consumers, as consumer goods businesses are already capitalising on its potential.
- **Other Opportunities:** To a) expand into novel industries and markets; b) innovate methods of operation; c) boost productivity; and d) provide exceptional service to existing customers.

##### 5. **Conclusion:**

The banking industry in India has seen radical change in recent years. There are a lot of possibilities and problems that the banking industry must deal with. The banking industry in India has seen significant transformation thanks to the introduction of several financial technologies such as automated teller machines, credit cards, real-time gross settlement systems, debit cards, mobile banking, etc. However, more creative approaches are required if e-problems banking's are to be fixed and its advantages to be taken full advantage of. Nonetheless, e-banking has revolutionised the Indian financial sector.

The banking industry is working hard to promote the use of online banking and its associated services. The younger generation is gradually becoming able to see the advantages of online banking. E-banking is quickly becoming not only the norm, but the preferred method of banking for the foreseeable future. While it's true that Indian banks are working hard to implement cutting-edge technology and expand their e-delivery options, the general public is generally sceptical of

these initiatives, and there are many problems associated with keeping customers' money and personal data secure. Hiring highly skilled computer specialists can help prevent data loss in the event of a system failure. Bank employees, in particular those who are unfamiliar with automated teller machines or who lack computer literacy, should be encouraged to attend seminars and training on the safe and effective use of online banking services. There should be a system in place to tailor e-banking services to each individual's age, gender, profession, etc., in order to better meet their requirements. The government should increase spending on new, modern buildings and infrastructure.

## REFERENCES

1. Kamakodi, N. and Ahmed Khan, M. B. (2008). Customer Expectations and Service Level in Ebanking Era: An Empirical Study. The ICFAI University journal of Bank Management. 7(4), 50- 70.
2. Mishra A. (2011). Internet Banking: Knowledge is prevention. Retrieved from <http://www.ccaoi.inll11/links/fewnewsletter15th%20lan%20ll%20Sivurity%20Neu'sletter.pdf>
3. Mohammed, S. and Shariq, S. (2011). A study of ATM usage in banks in Lucknow. International Journal of Engineering and Management Studies. 2(1), 47-53.
4. Mohan, K. (2006). Information Technology on Indian Banking. SCMS Journal of Indian Management. July-Sept issue, 18-24.
5. N. Jamaluddin (2013). E-Banking-Challenges and Opportunities in India. International Business conference, Australia, 1-15.
6. Raghavan, R.S. (2006). Perception of Indian Banks in 2020. The Chartered Accountant, October issue, 600-606.
7. Reeti Agarwal, Sanjay Rastogi and Ankit Mehrotra (2009). Customers' Perspectives regarding EBanking in an Emerging Economy. Journal of Retailing and consumer services. 16, 340-351.
8. Roshan Lal (2012). E-Banking in India. Asia-Pacific Journal of Marketing & Management Review. 1(4), 16-25.
9. Sharma, D., (2009). India's Leapfrogging steps from Bricks-and-Mortar to Virtual Banking: Prospect and Perils. The IUP Journal of Management Research. 8(3), 45-61.
10. Shukla, R. and Shukla, P. (2011). E-banking: Problems and Prospects. International Journal of Management & Business Studies. 1(1), 23-25.
11. Srinivas, Vissapragada (2009). No More Traditional Banking, Only Virtual. Professional Banker. August issue, 41-43.
12. Tarandeep Kaur (2015). Transformation from e-commerce to m-commerce In India. Sai Om Journal of Commerce & Management. 2(12), 9-17
13. Unyathanakorn (Jun 2014). Factors Affecting Customer Satisfaction in Online Banking Service. Journal of Marketing Development and Competitiveness. North American Business Press.
14. Uppal, R.K (2011). Internet Banking in India: Emerging Risks and New Dimensions. Business Administration and Management (BAM). 1(3), 77-81 accessed from [www.primejournal.org/bam](http://www.primejournal.org/bam)
15. Uppal, R.K. and Chawla, R. (2009). E-Delivery Channel-Based Banking Services: An Empirical Study. The Indian Journal of Management Research, 8(7), 7-33.