

THE CHALLENGES FACED IN ADOPTING ONLINE BANKING

CA. DURVIKAPIL THAKORE

Asst. Prof., Dept. of Accountancy,
Ghanshyamdas Jalan College of Arts, Science & Commerce,
Malad –(E), Mumbai.

ABSTRACT

The banking industry has been a leader in the e-business world in recent years. The e-banking revolution has fundamentally changed the business of banking by scaling borders and bringing about new opportunities. Banking services are accessible 24x7. A huge part of this change is due to advent of IT. Banks today operate in a highly globalized, liberalized, privatized and a competitive environment. In order to survive in this environment banks have to use IT. Indian banking industry has witnessed a tremendous developments due to sweeping changes that are taking place in the information technology. Electronic banking has emerged from such an innovative development. Now the currency is replaced by Plastic Money. The objective of the present paper is to study and analyze the progress made by Indian banking industry in adoption of technology. The study is secondary based and analytical in nature. The paper also highlights the challenges faced by Indian banks in adoption of technology and recommendations are made to tackle these challenges.

KEYWORDS: e-banking, Information Technology, Plastic Money

Introduction

E-banking refers to electronic banking. It is like e-business in banking industry. E-banking

is also called as “Virtual Banking” or “Online Banking”. E-banking is a result of the growing expectations of bank’s customers. E-banking involves information technology based banking. Under this I.T system, the banking services are delivered by way of a Computer-Controlled System. This bank’s system does involve direct interface with the customers. The customers do not have to visit the premises. In India E-banking is of fairly recent origin. The traditional model for banking has been through branch banking. Only in the early 1990s there has been start of non-branch banking services. The good old manual systems on which Indian banking depended upon for centuries seem to have no place today. Popular Services Covered Under E-Banking Indian banks offer to their customers following E-Banking products and services:

- ◆ Automated Teller Machines
- ◆ Telephone Banking
- ◆ Electronic Clearing Cards
- ◆ Smart Cards
- ◆ Electronic Funds Transfer (EFT) System
- ◆ Electronic Clearing Services
- ◆ Mobile Banking
- ◆ Internet Banking
- ◆ Telebanking
- ◆ Door Step Banking

Objectives of the study

1. To identify various e-banking services adopted by banks.
2. To study legislation related to online banking in India.
3. To study the challenges faced by Indian banks in adoption of technology.
4. To make recommendations to tackle these challenges.
5. To evaluate use of e-banking during COVID-19 Pandemic.

Research Gap

Online banking an innovation to traditional branch banking system is now used as a channel for delivering financial services by virtually all banks in India. Online banking provides improved convenience and customer service however it is observed that Indian banking customers are reluctant to adopt online banking services. Adoption is an important step for acceptance of any technology but long term viability of the technology depends on continuous use rather than first time use. Further in online environment attracting the new customers may not be easy than retaining the existing online banking customers.

Advantages of E-Banking

- The operating cost per unit services is lower for the banks.
- It offers convenience to customers as they are not required to go to the banks' premises.
- There is very low incidence of errors.
- The customers can obtain funds at any time from ATM machines.

- The credit cards and debit cards enables the customers to obtain discounts from retail outlets.
- The customer can easily transfer the funds from one place to another place electronically.

Legislation Related to E-Banking in India

The Government of India enacted Information Technology Act 2000 generally known as IT Act 2000 with effect from 17th October 2000 to provide legal recognition to electronic banking transactions. In 2007 with the enactment of Payment and Settlement Systems Act 2007 new regulation were framed for all the payment and receipts through electronic banking thus providing the legislative support required for technology banking. The Act merely governs the overall payment and settlements regime in India within the ambit of the RBI's powers (Payment and Settlement Systems Act 2007). Apart from the Act, RBI has time to time setup a working group on internet banking to examine security aspects, legal issues, regulatory and supervisory issue

Mumbai city tops in online banking

According to Internet and Mobile Association of India, 30% of respondents have a relationship with one bank, 60% with 2-3 banks, 8% with 4-5 banks and 2% with more than six banks.

Also, 30% of respondents have one bank account, 59% of them have 2-3 bank accounts while 9% have more than 4-5 bank accounts and 3% have more than six bank accounts. The sample of online banking users indicates that 43% of users are in the age bracket of 26-35 years and 25% in the 18-25 bracket.

The ratio of female to male users is very low at 17:83. In terms of occupation, 57% of the users are at executive level, while 12% are professionals or self-employed. However, only 2% are housewives.

Challenges in adoption E-Banking

- ❖ The most serious threat faced by e-banking is that it is not safe and secure all the time. There may be loss of data due to technical defaults.
- ❖ E-banks are facing business challenges. For the transactions made through internet, the service charges are very low. Unless a large number of transactions are routed over the Web the e-banks cannot think of profit.
- ❖ There is lack of preparedness both on part of banks and customers in the adoption of new technological changes.
- ❖ There is lack of proper infrastructure for the installation of e-delivery channels.

Recommendations

- ❖ E-banks should create awareness among people about e-banking products and services. Customers should be made literate about the use of e-banking products and services.
- ❖ Special arrangements should be made by banks to ensure full security of customer funds. Technical defaults should be avoided by employing well trained and expert technicians in field of computers, so that loss of data can be avoided.
- ❖ Employees of banks should be given special technical training for the use of e-banking so that they can further encourage customers to use the same.

- ❖ Seminars and workshops should be organized on the healthy usage of e-banking especially for those who are ATM or computer illiterate.
- ❖ E-banking services should be customized on basis of age, gender, occupation etc so that needs and requirements of people are met accordingly.
- ❖ Government should make huge investments for building the infrastructure.

Is Online banking helpful during COVID- 19 Pandemic?

People now understand Financial services' needs, risk and regulatory challenges with transformative technologies like- advanced analytic/ AI, next gen data, robotics, cloud, block chain, cyber security and innovation accelerators to quickly and safely achieve business outcomes.

- ❖ **FinTechsapps'** use in Europe increased by 72 %.
- ❖ **India's e-commerce industry** will grow 84 % to \$111 billion by 2024 as it gains from demand created by CORONA virus Pandemic's impact.
- ❖ **The 2021 Global Payments Report by World pay FIS**, a financial technology product and services provider, tracked trends in 41 countries to find that digital commerce accelerated during the pandemic.
- ❖ **The data study on online banking used by people**, almost 3 crore 74 lakh students, 13 crores digitally well-versed employees who can use this facilities and can reduce the foot fall at branches in COVID – 19 Pandemic period.

Conclusion

Compared to developed countries, developing countries face many impediments that affect the successful implementation of e-banking initiatives. In India, E-banking is in an emerging stage. Indian banks are making sincere efforts for the adoption of technology and installation of e-delivery channels. Banks are making sincere efforts to popularize the e-banking services and products. Younger generation is beginning to see the convenience and benefits of e-banking. In years to come, e-banking will not only be an acceptable mode of banking but will be a preferred mode of banking.

References

https://en.wikipedia.org/wiki/Online_banking

http://articles.economicstimes.indiatimes.com/2016-03-09/news/27442741_1_bank-accounts-online-banking-internet-and-mobile-association

https://www.business-standard.com/article/economy-policy/indian-e-commerce-to-grow-84-in-4-years-helped-by-covid-19-impact-study-121031000846_1.html

<https://www.linkedin.com/pulse/indian-banking-digital-enough-handle-customers-covid-era-kumar/?articleId=6676755707389374464>

