

## **E-BANKING IN INDIA: an insight**

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### **ABSTRACT**

*Financial liberalization and technology revolution have allowed the developments of new and more efficient delivery and processing channels as well as more innovative products and services in banking industry. Banking institutions are facing competition not only from each other but also from non-bank financial intermediaries as well as from alternative sources of financing. Another strategic challenge facing banking institutions today is the growing and changing needs and expectations of consumers in tandem with increased education levels and growing wealth. Consumers are becoming increasingly discerning and have become more involved in their financial decisions. For many consumers, electronic banking means 24-hour access to cash through an automated teller machine (ATM) or Direct Deposit of paychecks into checking or savings accounts. But electronic banking involves many different types of transactions. Electronic banking, also known as electronic fund transfer (EFT), uses computer and electronic technology as a substitute for checks and other paper transactions. EFTs is initiated through devices like cards or codes that let you, or those you authorize, access your account. Many financial institutions use ATM or debit cards and Personal Identification Numbers (PINs) for this purpose. Some use other types of debit cards such as those that require, at the most, your signature or a scan. For example, some use radio frequency identification (RFID) or other forms of “contactless” technology that scan your information without direct contact. The federal Electronic Fund Transfer Act (EFT Act) covers electronic consumer transactions.*

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## **INTRODUCTION TO E-BANKING:**

The world is changing at a staggering rate and technology is considered to be the key driver for these changes around us. An analysis of technology and its uses show that it has permeated in almost every aspect of our life. Many activities are handled electronically due to the acceptance of information technology at home as well as at workplace. Slowly but steadily, the Indian customer is moving towards the internet banking. The ATM and the Net transactions are becoming popular. But the customer is clear on one thing that he wants net-banking to be simple and the banking sector is matching its steps to the march of technology. E-banking or Online banking is a generic term for the delivery of banking services and products through the electronic channels such as the telephone, the internet, the cell phone etc. The concept and scope of e-banking is still evolving. It facilitates an effective payment and accounting system thereby enhancing the speed of delivery of banking services considerably

### **Research Hypothesis:**

The following hypotheses were adopted:

- Security and trust has significant impact on adoption of e-banking among customers.
- Innovativeness has significant impact on adoption of e-banking among customers.
- Familiarity has significant impact on adoption of e-banking among customers.
- Awareness has significant impact on adoption of e-banking among customers.

### **Literature Review:**

Following the boom of new technologies such as the internet and mobile phones in practice, e-banking has also been the focus of numerous academic papers. Adoption, perception and usage of internet banking by consumers is one of the topics heavily examined in e-banking literature.

**Aladwani, (2001)** Potential customers mentioned Internet security, online banking regulations, consumers' privacy, and bank's reputation as the most important future challenges of online banking adoption.

**Polatoglu and Ekin, (2001)** Perceived risk was one of the major factors affecting consumer adoption, as well as customer satisfaction of online banking services.

**Centeno (2004)** argues that speed, the convenience of remote access, 7/24 availability and price incentives are the main motivation factors for the consumers to use internet banking. Durkin, (2008) notes that the simplicity of the products offered via internet banking facilitates the adoption of internet banking by consumers.

**Guerrero, (2007)** examine the usage of internet banking by Europeans and their results indicate that ownership of diverse financial products and services, attitude towards finances and trust in the internet as a banking channel influence clients' usage of internet banking.

**Calisir and Gumussoy (2008)** compare the consumer perception of internet banking and other banking channels and report that internet banking, ATM and phone banking substitute each other.

**Maenpaa (2008)** examine the consumer perceptions of internet banking in Finland and their findings indicate that familiarity has a moderating role in the perception.

### **Methodology:**

Data were collected from 125 bank customers belonging to 10 commercial banks in the city of Hubli, India during April- June 2011. Purposive sampling method was used in the selection of the sample respondents. The survey instrument used in the study was a structured questionnaire. The questionnaire was made up the dimension which measures the awareness and acceptance of e-banking among Indian customers. The variables were measured using multiple items. All of the scale items represented in the survey instrument utilized a five point categorical rating scale.

### **The Importance of E-banking in Business:**

Businesses rely on efficient and rapid access to banking information for cash flow reviews, auditing and daily financial transaction processing. E-banking offers ease of access, secure transactions and 24-hour banking options. From small start-up companies to more established entities, small businesses rely on e-banking to eliminate runs to the bank and to make financial decisions with updated information. In an information-driven business climate, companies who do not use e-banking are at a competitive disadvantage.

### **1. Activity Review:**

Business owners, accounting staff and other approved employees can access routine banking activity such as deposits, cleared checks and wired funds quickly through an online banking interface. This ease of review helps ensure the smooth processing of all banking transactions on a daily basis, rather than waiting for monthly statements. Errors or delays can be noted and resolved quicker, potentially before any business impact is felt.

### **2. Productivity:**

E-banking leads to productivity gains. Automating routine bill payments, minimizing the need to physically visit the bank and the ability to work as needed rather than on banking hours may decrease the time involved in performing routine banking activities. Additionally, online search tools, banking actions and other programs can allow staff members to research transactions and resolve banking problems on their own, without interacting with bank employees. In some cases, month-end reconciliations for credit card transactions and bank accounts can be automated by using e-banking files.

### **3. Lower Banking Costs:**

Banking relationships and costs are often based on resource requirements. Businesses that place more demands on banking employees and need more physical assistance with wire transfers, deposits, research requests and other banking activities often incur higher banking fees. Opting for e-banking minimizes business overhead and banking expenses.

### **4. Reduced Errors:**

Utilizing e-banking reduces banking errors. Automation of payments, wires or other consistent financial activities ensures payments are made on time and may prevent errors caused by keyboard slips or user error. Additionally, opting for electronic banking eliminates errors due to poor handwriting or mistaken information. In many cases, electronic files and daily reviews of banking data can be used to double or triple check vital accounting data, which increases the accuracy of financial statements.

#### **5. Reduced Fraud:**

Increased scrutiny of corporate finances through audits and anti-fraud measures requires a high level of visibility for all financial transactions. Relying on e-banking provides an electronic footprint for all accounting personnel, managers and business owners who modify banking activities. E-banking offers visibility into banking activities, which makes it harder for under-the-table or fraudulent activities to occur.

#### **6. Convenience:**

By banking online, you can carry out your banking activities whenever you want. Online banking is a 24 hour service, so you are no longer tied to the branch's hours. On top of that, you don't have to take the time to travel to the branch and wait in the inevitable lines, thus giving you more time to do what you want.

#### **7. Mobility:**

Online banking can be done from anywhere, as long as you have an Internet connection. Even if you are away for business or a vacation, you can still take care of your banking needs. Some banks, such as Bank of America, have even created mobile applications that make banking easier for those with a Smartphone like the Apple iPhone or iTouch or a Blackberry. With this added mobility, you'll no longer have to worry about missing a payment or any other time sensitive banking activity.

#### **8. No Fees:**

Because an online bank doesn't have to worry about funding an actual bank location with all of those additional costs, fees can be reduced and are often non-existent. Those checking and savings accounts that are offered by completely online banks usually have no fees at all.

#### **9. Higher Interest Rates:**

Again, due to a lack of costs associated with running an online bank, higher interest rates are often offered for their accounts. For higher interest rates, you would usually need to bank with a completely online account.

#### **10. Online Statements:**

Most online banks try to be as paper-free as possible. Most statements and correspondence is done online, reducing the amount of paper used and sent out to you. This again will help reduce the costs of the online bank. As an added bonus, this makes online banking a great environmental choice. Be warned, some banks do charge if you do want a paper copy of something.

#### **11. Direct Deposit:**

With any incoming money, such as your salary, you can arrange for it to be directly deposited into your bank account by the company sending the money. This is actually a double benefit, as you don't have to take the time to deposit the check, plus the money goes into your account faster allowing you to earn interest that much quicker.

#### **12. Automatic Bill Paying:**

With automatic bill paying, you can automate paying your monthly bills. Of course, you need to set this up, but it will be worth it in the long run. First, with your bills being paid automatically, you shouldn't ever miss a payment. Plus, by not having to worry about the time taken to mail in your payment, you can keep your money in your account for a bit longer, earning you a little bit more interest – and you save on postage too. Finally, you can actually do away with using checks and you also save on paper used, making this a much greener way of banking also.

### **13. Real Time Account Information:**

Because you can access your accounts anytime, you can get up to date, real time information on the money in your accounts. This will allow you to better manage your money and gain the most from different accounts, interest rates and services provided by the bank.

### **14. Transfers:**

Transfers between accounts with the same financial institution online can be done almost instantaneously. Not only is there no hold on the money being moved around, you can do it whenever you like and from wherever. You also save time on travelling to the local branch. Even transferring to other financial institutions is easier, and safer as you don't have to carry the money around with you. You can even now e-mail money to and from other people with INTERAC e-mail money transfers.

### **Features of e-banking in India:**

Online banking facilities offered by various financial institutions have many features and capabilities in common, but also have some that are application specific.

- A bank customer can perform some non-transactional tasks through online banking, including -
  - viewing account balances
  - viewing recent transactions
  - downloading bank statements, for example in PDF format
  - Viewing images of paid cheques.
  - ordering cheque books
  - download periodic account statements
  - Downloading applications for M-banking, E-banking etc.
- Bank customers can transact banking tasks through online banking, including -
  - Funds transfers between the customer's linked accounts
  - Paying third parties, including bill payments and telegraphic/wire transfers

- Investment purchase or sale
- Loan applications and transactions, such as repayments of enrollments
- Register utility billers and make bill payments
- Financial institution administration
- Management of multiple users having varying levels of authority
- Transaction approval process

**Table-I**  
**Distribution of Respondents on the Basis of Demographic Factors**

<b>Demographic Variables</b>	<b>Categories</b>	<b>No. of Respondents</b>	<b>percentage</b>
Gender	Male	102	81.60
	Female	23	18.40
Age (in years)	Less than 20	02	01.60
	20-30	31	24.80
	30-40	43	34.40
	40-50	35	28.00
	Above 50	14	11.20
Qualification	Up to 12th	34	27.20
	Graduates	58	46.40
	Post graduates	22	17.60
	Professionals	11	08.80
Income (per month)	Below 10,000	23	18.40
	10,000-30,000	63	50.40
	30,000-60,000	23	18.40
	Above 60,000	16	12.80

**Source: primary data**

Table No-1 Reveals that the demographic characteristics of the 125 respondents. About 81.60 percent of the respondents are males and 18.40 percent respondents are females. Table 1 also shows that all respondents are adults with 34.40 percent of the respondents in the age group



of 30-40 years, 28 percent between 40- 50 years, 24.80 percent between 20-30, 11.20 percent above 50 years and 1.60 percent being less than 20 years. The highest category using online banking services are in the age group of 20-30 years. Majority of the users of e-banking services were graduates (46.40 percent) and were earning a monthly salary of Rs. 10,000-30,000.

**Table-II**  
**Factor Analysis for Acceptance Factors of e-banking**

Measurement Items	Security & Trust	%	Awareness	%	Familiarity	%	Innovativeness	%
Safety	76	60.80						
Reliability	67	53.60						
Liquidity	93	74.40						
Insurance coverage	32	25.60						
Transparency	83	66.40						
Security & less risk to use	83	66.40						
Privacy is maintained	84	67.20						
Bill payment			64	51.20			56	44.80
e- ticket			73	58.40			68	54.40
Easy to use	98	78.40						
Quick transaction	96	76.80						
Time saving					95	76.00		
Convenient					95	76.00		
No need to carry cash					43	34.40		
Wide area network	98	78.40						

**Source: primary data**

The study reveals that Factor Analysis for Acceptance Factors of e-banking. A factor analysis was conducted to develop constructs that will help to evaluate factors that will influence

customer's usage of e-banking. 60.80 percent of respondents responded that the e-banking provide safety to users and provide new innovativeness in Indian banking system, which more reliable and consistent to online customers. Now a day's e-banking is very much familiar to the new generation for trading and communication in the field of stock and securities.

The study reveals that majority of respondents responded that e-banking is more transparent and easy to use and less risky and it maintain privacy in financial structure of customers in the area of bills payment and receivables on time and it is more convenient to business personalities through e-ticket to access easily.

### **Findings:**

1. About 81.60 percent of the respondents are males and 18.40 percent respondents are females.
2. The highest category using online banking services are in the age group of 20-30 years.
3. Majority of the users of e-banking services were graduates (46.40 percent) and were earning a monthly salary of Rs. 10,000-30,000.
4. Majority of 60.80 percent of respondents responded that the e-banking provide safety to users and provide new innovativeness in Indian banking system, which more reliable and consistent to online customers.
5. Majority of respondents responded that e-banking is more transparent and easy to use and less risky and it maintain privacy in financial structure of customers in the area of bills payment and receivables on time and it is more convenient to business personalities through e-ticket to access easily.

### **Suggestions:**

1. Banks should ensure that online banking is safe and secure for financial transaction like traditional banking.
2. Banks should organize seminar and conference to educate the customer regarding uses of online banking as well as security and privacy of their accounts.

3. Some customers are hindered by lack of computer skills. They need to be educated on basic skills required to conduct online banking.
4. Banks must emphasize the convenience that online banking can provide to people, such as avoiding long queue, in order to motivate them to use it.
5. Banks must emphasize the cost saving that online can provide to the people, such as reduce transaction cost by use of online banking.

### **Conclusion:**

In a country like India, there is need for providing better and customized services to the customers. Banks must be concerned about the attitudes of customers with regard to acceptance of online banking. The importance of security and privacy for the acceptance of internet banking has been noted in many earlier studies and it was found that people have weak understanding of internet banking, although they are aware about risk. The present study shows that customers are more reluctant to join new technologies or methods that might contain little risk. Hence, banks should design the website to address security and trust issues. The recommendations to the banks are that they have to increase the level of trust between banks' website and customers. In order to achieve this, the following strategies should be applied by banks.

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