



CHALLENGES AND BENEFITS OF E-BANKING IN MODERN ERA

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Abstract

Many banks and other organizations have already implemented or are planning to implement e-banking because of the numerous potential benefits associated with it. E-banking as a modern fully automatic service which delivers traditional banking products to customers with the help of information technology platforms and interactive communication channels. E-Banking services are expected to enable banking corporations to become more efficient over time. The Reserve Bank is monitoring and reviewing the legal and other requirements of e-banking on a continuous basis to ensure that e-banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability.

Keywords: E-banking, Internet

Introduction

Internet banking, also known as online banking or e-banking or Net Banking is a facility offered by banks and financial institutions that allow customers to use banking services over the internet. Customers need not visit their bank's branch office to avail each and every small service. Not all account holders get access to internet banking. If you would like to use internet banking services, you must register for the facility while opening the account or later. You have to use the registered customer ID and password to log into your internet banking account.

In recent years, customers of banking corporations increasingly use technology and direct channels to consume banking services. This phenomenon is also evident worldwide. Expanding E-Banking services and the types of services including banking via the Internet, telephone and using Automated Teller Machines (ATMs), makes it possible to reduce the prices of services to customers, and makes it easier for them to manage their activity independently and conveniently anywhere, at any time, through various channels, and regardless of the working hours of the



branches of their banking corporation. Furthermore, the development and expansion of E-Banking services are expected to enable banking corporations to become more efficient over time.

Banking corporations are required to develop and improve methods for detecting fraud and embezzlement, for prevention of money laundering, and for handling failures in a swift and adequate manner, so as to minimize harm to the customer, legal risks and reputational risks associated with E-Banking activities and arising from the increase in the quantity and scope of the databases. To provide an end-to-end solution for full banking activity and reduce the customers' need to arrive at the branch, banking corporations are required to examine options to offer their customers complementary services, all within the limits prescribed by law and regulation.

Important of E-Banking

Understanding e-banking is important for several stakeholders, not least of which is management of banking related organizations, since it helps them to derive benefits from it. The Internet as a channel for services delivery is fundamentally different from other channels such as branch networks, telephone banking or Automated Teller Machines (ATMs). Therefore, it brings up unique types of challenges and requires innovative solutions. Many banks and other organizations have already implemented or are planning to implement e-banking because of the numerous potential benefits associated with it.

Benefits of E-banking

- **Availability:** You can avail the banking services round the clock throughout the year. Most of the services offered are not time-restricted; you can check your account balance at any time and transfer funds without having to wait for the bank to open.
- **Easy to Operate:** Using the services offered by online banking is simple and easy. Many find transacting online a lot easier than visiting the branch for the same.
- **Convenience:** You need not leave your chores behind and go stand in a queue at the bank branch. You can complete your transactions from wherever you are. Pay utility bills, recurring deposit account instalments, and others using online banking.



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- **Time Efficient:** You can complete any transaction in a matter of a few minutes via internet banking. Funds can be transferred to any account within the country or open a fixed deposit account within no time on netbanking.
 - **Activity Tracking:** When you make a transaction at the bank branch, you will receive an acknowledgement receipt. There are possibilities of you losing it. In contrast, all the transactions you perform on a bank's internet banking portal will be recorded. You can show this as proof of the transaction if need be. Details such as the payee's name, bank account number, the amount paid, the date and time of payment, and remarks if any will be recorded as well.

Challenges of E-banking

- **Internet Requirement:** An uninterrupted internet connection is a foremost requirement to use internet banking services. If you do not have access to the internet, you cannot make use of any facilities offered online. Similarly, if the bank servers are down due to any technical issues on their part, you cannot access net banking services.
- **Transaction Security:** No matter how many precautions banks take to provide a secure network, online banking transactions are still susceptible to hackers. Irrespective of the advanced encryption methods used to keep user data safe, there have been cases where the transaction data is compromised. This may cause a major threat such as using the data illegally for the hacker's benefit.
- **Difficult for Beginners:** There are people in India who have been living lives far away from the web of the internet. It might seem a whole new deal for them to understand how internet banking works. Worse still, if there is nobody who can explain them on how internet banking works and the process flow of how to go about it. It will be very difficult for inexperienced beginners to figure it out for themselves.
- **Securing Password:** Every internet banking account requires the password to be entered in order to access the services. Therefore, the password plays a key role in maintaining integrity. If the password is revealed to others, they may utilise the information to devise some fraud. Also, the chosen password must comply with the rules stated by the banks. Individuals must change the password frequently to avoid password theft which can be a hassle to remember by the account holder himself.



Problems of E-banking

- **Customer support** - banks will have to create a whole new customer relations department to help customers. Banks have to make sure that the customers receive assistance quickly if they need help. Any major problems or disastrous can destroy the banks reputation quickly an easily. By showing the customer that the Internet is reliable you are able to get the customer to trust online banking more and more.
- **Laws** - While Internet banking does not have national or state boundaries, the law does. Companies will have to make sure that they have software in place software market, creating a monopoly.
- **Security:** customer always worries about their protection and security or accuracy. There are always question whether or not something took place.
- **Other challenges:** lack of knowledge from customers end, sit changes by the banks, etc

E-banking in India

The impact of E- Banking in India is not yet apparent. Many global research companies believe that E-banking adoption in India in the near future would be slow compared to other major Asian countries. Indian E-banking is still nascent, although it is fast becoming a strategic necessity for most commercial banks, as competition increases from private banks and non banking financial institutions. Despite the global economic challenges facing the IT software and services sector, the outlook for the Indian industry remains optimistic.

The Reserve Bank of India has also set up a "Working Group on E-banking to examine different aspects of E-banking. The group focused on three major areas of E-banking i.e. (1) Technology and Security issues (2) Legal issues and (3) Regulatory and Supervisory issues. RBI has accepted the guidelines of the group and they provide a good insight into the security requirements of E-banking.



Present Status Of E-Banking In India

E-banking has become an integral part of the banking system in India. Before the 90's, the traditional model of banking i.e. branch-based banking was prevalent, but after that non-branch banking services were started. The credit of launching internet banking in India goes to firstly ICICI Bank. After that Citibank and HDFC Bank followed with internet banking services in 1999. 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 e-commerce. The Reserve Bank is monitoring and reviewing the legal and other requirements of e-banking on a continuous basis to ensure that e-banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability. According to a report of RBI in Jan. 2016, there are 196079 ATMs and 1337310 points of sale devices in India. To cope with the pressure of growing competition, Indian commercial banks have adopted several initiatives and e-banking is one of them. The competition has been especially tough for the public sector banks, as the newly established private sector and foreign banks are leaders in the adoption of e-banking. Indian banks offer to their customers the following e-banking products and services viz. Automated Teller Machines (ATMs), Internet Banking, Mobile Banking, Phone Banking, Tele banking, Electronic Clearing Services, Electronic Clearing Cards, Smart Cards, Door Step Banking, and Electronic Fund Transfer.

Conclusion

E-banking is fast becoming a norm in the developed world, and is being implemented by many banks in developing economies around the globe. The main reason behind this success is the numerous benefits it can provide, both to the banks and to customers of financial services. Efficiency, growth and the need to satisfy a growing tech survey consumer base are three clear rationales for implementing E-banking in India.



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