



Factors affecting E-commerce adoption in private banks in India–A study of HDFC bank Ltd.

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ABSTRACT

The study's main goal was to look at how new technologies in private banks influenced people's perceptions of them. A background study was undertaken to better understand the factors that influence new technology in private banks. People are beginning to adopt new technologies and are satisfied with their banks' and digital products, according to research findings. India plays a critical role in the new financial era and the cashless economy. The majority of them stated that using watch banking is expensive and that only a few banks offer this service to their customers. The Bank presently has over 4,805 branches across India, which is an impressive number. Every branch has a real-time online connection. Telephone banking is available at over 500 locations for customers. A total of 12,860 city and municipality networked ATMs are also part of the Bank's ATM network. The HDFC bank offers a wide range of services and products, including wholesale and retail banking, treasury, auto loans, two-wheeler credit, personal loans, property lending, consumer long-term borrowings, life-long loan, credit cards, and a variety of digital goods. The above-mentioned bank's financial performance has been assessed during the last five years, namely 2015, 2016, 2017, 2018 and 2019.

INTRODUCTION

E-commerce refers to the buying and sale of goods and services over the internet. While some businesses prefer to preserve both, e-commerce may eventually displace brick-and-mortar stores. Almost everything is now available through e-commerce. E-commerce was chosen for the



purpose of this study because it represents an overall process in which products or services are purchased, sold, transferred, exchanged, and/or distributed, or information is exchanged via the Internet and computer network.

While there are countless exciting stories in newspapers and publications about initiatives by multiple Indian banks, detailed explanations of how banks may link IT and business are rarely made available to academia and practitioners. Our research needs to fill this void. The study piece's main goals are to understand how Indian banks employ IT in a globalised, liberalised business environment, notably for online banking and electronic commerce (B–C and B–B) in the disciplines of B–C and B–B. The case study identifies various design and deployment challenges with Internet banking in the Indian context that need to be carefully considered. The following are organised in the article: The next section includes a comment about banking in India and banking information technology. We'll also look at some related material in the next part. We will next provide a comprehensive assessment of one of India's private sector banks' online banking activities, including significant initiatives, implementation, and important benefits. Finally, we present a variety of well-informed information and conclusions.

Despite the fact that various interesting papers on initiatives by several Indian banks have been published in journals and magazines, comprehensive studies on how banks should connect IT with business are rarely made available to academia and professionals. Our investigation is aimed at filling this need. The study paper's main goals are to learn about how Indian banks use IT in a globalised and liberalised business environment, particularly in the field of online banking, both in the B-C and B–B e-commerce fields. The case study identifies various design and deployment challenges with Internet banking in the Indian context that need to be carefully considered. The following are organised in the article: The next section includes a comment about banking in India and banking information technology. We'll also look at some related material in the next part. We will next provide a comprehensive assessment of one of India's private sector banks' online banking activities, including significant initiatives, implementation,



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There are numerous studies explaining e-commerce in organisations or firms, as well as in other countries. Technology readiness, adoption factors, critical success criteria, barriers and impediments, e-commerce solutions, and other e-commerce aspects are all topics covered in e-commerce research. The majority of research in developed countries focuses on characteristics of e-commerce success, payment systems, and institutions, but developing countries continue to explore e-readiness and e-commerce adoption drivers.

HISTORY OF HDFC BANK

HDFC Bank Limited was established in August 1994, with its registered office in Mumbai, India. HDFC Bank began operations as a scheduled trading bank in January 1995. HDFC was the first private sector bank to receive 'in principle' clearance from the Reserve Bank of India (RBI). In India, the bank has an impressive branch network of around 4,805 locations. Each branch is linked to the internet in real time. Customers can also use telephone banking at over 500 different locations. A total of 12,860 city and municipality networked ATMs are also part of the Bank's network. The HDFC bank offers a variety of services and products, including wholesale and retail banking, treasury, automobile loans, two-wheeler credit, personal loans, property lending, consumer long-term borrowings, life-long loan, credit cards, and a variety of digital goods.

LITERATURE REVIEW

AshimaTandonet. al. (2016)Internet banking is a recognised supply channel that has been around for a long time. In actuality, it has grown and changed existing banking practises in a number of countries. This conduit has helped the banks. With the help of internet banking, the user can access a variety of services by just clicking the mouse. Respondents from public, private, and foreign sector banks were chosen to gauge consumer awareness of the Internet banking system. To achieve the study's aims, a five-point Likert questionnaire with many aspects related to Internet banking was created, and responses were collected using random sample



methods. Consumer awareness is higher in private and foreign sector banking than in public sector banks, according to the report. Banks in the public sector must concentrate their efforts on combating private and foreign banks. [1]

Sadaf Firdouset. al. (2017) Internet banking is an electronic payment system that allows customers of a financial institution, such as a retail bank, a virtual bank, a lending union, or a construction firm, to transact on the website of that financial institution. Online bank is also known as internet banking, e-banking, virtual banking, and other terms. This new channel has contributed fresh dimension to the concept of customer satisfaction and how it may be favourably influenced. All businesses aim to become a part of their customers' lives, and as a result, they strive to satisfy them more and more by enhancing delivery methods. Customer happiness is influenced by a variety of factors, one of the most important of which is service quality. Given the differences in the nature of the things delivered in the manufacturing and service sectors, the definition and measurement of service quality could not be the same for both. With the rise of the internet as a key route of service delivery, there is a strong desire to quantify service quality in electronic media services. As a result, researchers have specifically addressed service quality in terms of e-services, leading to the development of various models to aid in the measurement of e-service quality in the services sector. This research paper aims to make a unique contribution to the understanding of the quality of internet banking services in India's capital, New Delhi. [2]

Vijay M. Kumbaret. al. (2011) The Indian banking system's perception of ATMs provides useful empirical data. It has led to the conclusion that, in contrast to public sector banking, the private sector provides more satisfactory ATM services in the studied area. As a result, public sector banks must place a premium on the quality of ATM service in order to increase customer satisfaction. Consumer perceptions of efficiency, safety and response, cost effectiveness, problem management and compensation, and ATM service are all low in both public and private banks, according to empirical studies (ranging between 3.00 to 3.50). As a result, both types of banks should be aware of these elements of ATM service for the benefit and loyalty of their



customers. One of the most important aspects of service quality that has a negative impact on customer satisfaction is cost efficiency. [3]

Ramya Reddy P et. al. (2019) Many changes have happened in the banking sector as a result of financial reforms (banking reforms) in recent years. In the current age, new technologies have changed the traditional banking system, such as standing in line to deposit or withdraw money from anywhere to transact money. In recent years, Indian banking has reached new heights, with government programmes assisting banks in the development of new banking technologies. Many private banks are utilising new technologies in the current generation to better serve their clients and provide a better quality of life for their customers. These new offerings are quite interesting. The public is completely satisfied with the services provided by banks, yet there are certain issues. One of the issues the client has is that, in the case of digital wallet applications, problems linked with transactions, such as two debited but not credited, cannot be resolved immediately and must be resolved over a period of at least 2-3 weeks. [4]

G. Siva Krishna et. al. (2010) Today is the age of globalisation. For multinational corporations all around the world, globalisation has been their first strategic decision. Globalization has also become easier as a result of technological advancements. The same is true in the banking industry. Technological advancements, development, and invention have always relied on human standards. It has opened up new possibilities for civilization. The manner in which services can be provided has also altered. Information technology has been the world's main driving factor of economies for the past two decades. It had a quick influence on the financial industry as well. Electronic banking (sometimes known as net banking) is an internet programme that allows customers to access a wide range of financial services directly from their home or office PCs by dialling into or using their own bank networks or sites. Net banking gives you instant access to account information from anywhere on the planet, at any time of day or night. This implies that as long as we have a PC, a modem, a phone connection, and an online account, we don't have to worry about bank holidays, taking time to go to the bank, or standing in long lines for a simple transaction! Most bank services can be accessed from the convenience of our own home or



office. This study takes the approach of learning from samples acquired through Indian E-banking. In this study project. Because India is the world's second largest country, removing data from its e-banking system is nearly impossible. [5]

(Shankar, 2017).The Internet banking industry is fast growing, and people are progressively accepting it. However, some people are still hesitant to utilise it for transactions due to lack of trust (senior citizens). Christian Democracy (Christian Democracy, 2016). According to the poll, individuals in cities use e-wallets more than people in small towns, and each unit has contributed significant changes to the digital payment system, with 2,069 percent of people using digital payment mechanisms. (Franzensburg, Germany, 3 July 2017).

Vinoth Kumar and BhawnaMalhothra (2017),Between 2007 and 2017, attempts were undertaken to examine CAMEL's performance and the financial health of selected private sector banks using the CAMEL technique. According to the ICICI Bank's CAMEL analysis, the Axis Bank is the best bank in India. The Kotak Mahindra Bank finished in third position. The HDFC Bank is ranked fourth among the banks, whereas IndusIndbank is ranked worst.**Kumar and Atwal (2014)** studied the integration of global economy demands a set of accounting standards which are generally accepted all over the world for facilitating the countries doing trade in a more simplified way of accounting. **Atwal (2017)** present study attempts to analysis the bank-wise viewpoint towards financial inclusion initiatives of government in Haryana.**Kumar and Atwal (2014)**The main objective of this research paper is to adjudge the present and future scenario of M-banking along with the prospects and challenges ahead in implementation. **Atwal (2017)** analysed the bankers' viewpoint towards financial inclusion initiatives of government in Haryana. **Atwal (2016)** analysed the collected data, ANOVA has been used to test the hypotheses and validate the results of the study. It is concluded that there is no significant difference among the district-wise bankers' viewpoint with regard to Aadhaar Card as a tool of financial inclusion by Government of India. **Atwal (2019)** studied the Microfinance is a type of financial service that caters to low-income customers, such as people and those who have previously had access to banks and other financial services.**Atwal (2018)** study the government



plans affect the rate of adoption of banking facilities and services in rural areas, as well as the main hurdles and drivers. **Atwal (2011)** studied the Impact of Global Finance Crisis on China and India.

STATEMENT OF PROBLEM

Organizations cannot compete solely on the basis of past success in today's fast-changing business climate, which includes boundary blurring, disintermediation, and hyper competitiveness. To stay ahead of their competitors, they must constantly explore innovation at all levels of the organisation. They will be essential for surviving in a new economy in order to develop successful company models, strategies, and new products. The internet, which has turned traditional trade into an EBusiness trend, is the first phase.

To engage in the new online business environment, businesses must make significant financial investments, not just in the necessary technologies, but also in the procedures and people required to manage them. The consequences of e-commerce on corporate performance must be monitored effectively, whether analysing investments in e-commerce or tracking subsequent on-line commercial transactions.

In order to compete in the new online enterprise environment, businesses had to make significant financial investments not just in the essential technologies, but also in the processes and people needed to manage them. An adequate measure of the business performance effect of e-commerce is required for evaluations of e-commerce investment proposals or monitoring of subsequent online company activities.

Businesses have had to invest a significant amount of money not just in the technologies they require, but also in the procedures and personnel required to manage them in order to participate in the new online business environment. Whether it's evaluating e-commerce investment proposals or monitoring online business transactions, an accurate assessment of e-commerce's on corporate performance is required.



BANKING IN INDIA

The Indian government nationalised all major business banks in the late 1960s by converting private ownership to government ownership. A second round of bank nationalisation occurred in the late 1970s. As a result, during the 1970s and 1980s, nationalised banks owned by the government accounted for 95 percent of all bank market share in the country. The remaining 5% was supplied primarily by private banks and a few foreign institutions with a limited presence in large cities. This situation persisted until the beginning of the 1990s, when the Indian government chose to give banking licences to nine new private sector banks as part of its comprehensive financial system reforms. New private banks have developed in India during the last ten years, foreign banks have expanded, and the nationalised banks' evolving economic model, bolstered by financial sector reforms, has changed the way banks operate in the country. Governmental commercial banks now account for about 75 percent of the market (down from 95 percent previously), private banking for about 20%, and international banks for about 5%. Because of the tremendous competition in the last five years, these percentages are expected to shift dramatically during the next few years. Aside from that, some of the world's most well-known foreign banks, which have long had a presence in India, have begun to expand their operations there, particularly in the retail banking sector, which provides a huge commercial opportunity for the country's burgeoning middle class of 200 million people. As a result, both businesses and the general public in India have access to a variety of financial services at various levels.

Methodology

The research is quantitative in nature, focusing on the financial statements of HDFC Bank during a five-year period. The research is based on secondary data gathered from bank websites and annual reports. The data is analysed using a ratio analysis, and the bank's results for the time period under consideration are clearly stated.



Secondary source of data

The data gathered on various Web pages, subjects, published journals, articles, books, periodicals, new studies, and much more is fundamentally secondary data. This secondary data was found in journals, articles, theses, web sites, and books for this dissertation.

Data analysis

Some of the key ratios were examined and interpreted in order to gain a better understanding of the bank's financial performance.

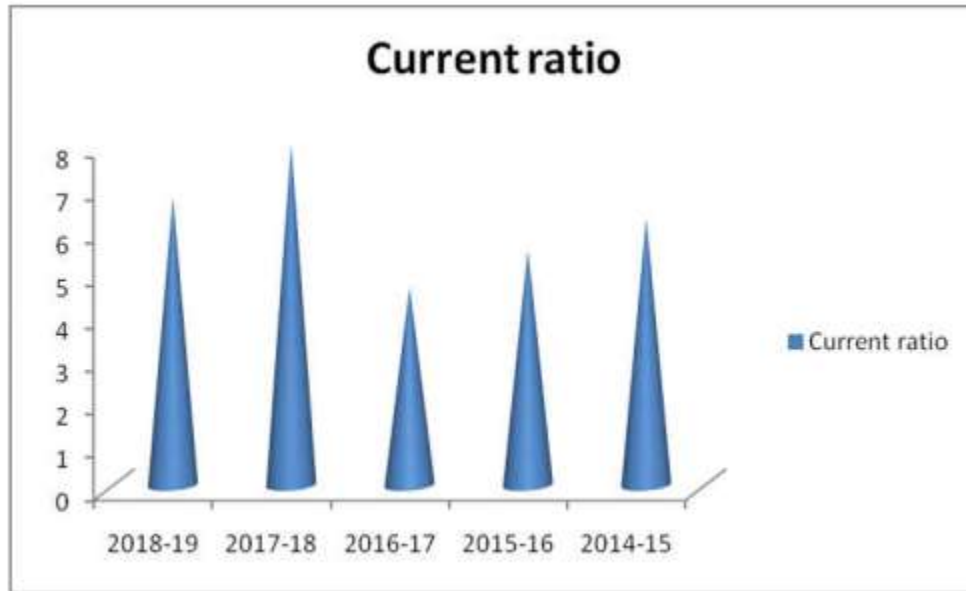
CURRENT RATIO

In the relationship, the relationship between current assets and current liabilities is now established. Any asset that is converted into cash within one or twelve months is considered an actual asset. Currently, these liabilities are paid or refunded within a year.

Current Ratio = Current Assets/ Current Liabilities.

The typical norm or thumb rule for the current ratio is 2:1. This means that all current liabilities are permitted. A bank's liquidity is good if its current ratio is two or higher.

Year	2018-19	2017-18	2016-17	2015-16	2014-15
CR	6.74	7.97	4.64	5.52	6.24



Source: Annual Report

In 2014-15, the current ratio increased by 6.24, while in 2015-16 and 2016-17, it increased by 5.52 and 4.64, respectively. With the exception of 2018-19, the ratio increased by 7.97 in 2017-18. It claims that the banks' liquidity and debt payments were stable over the study period.

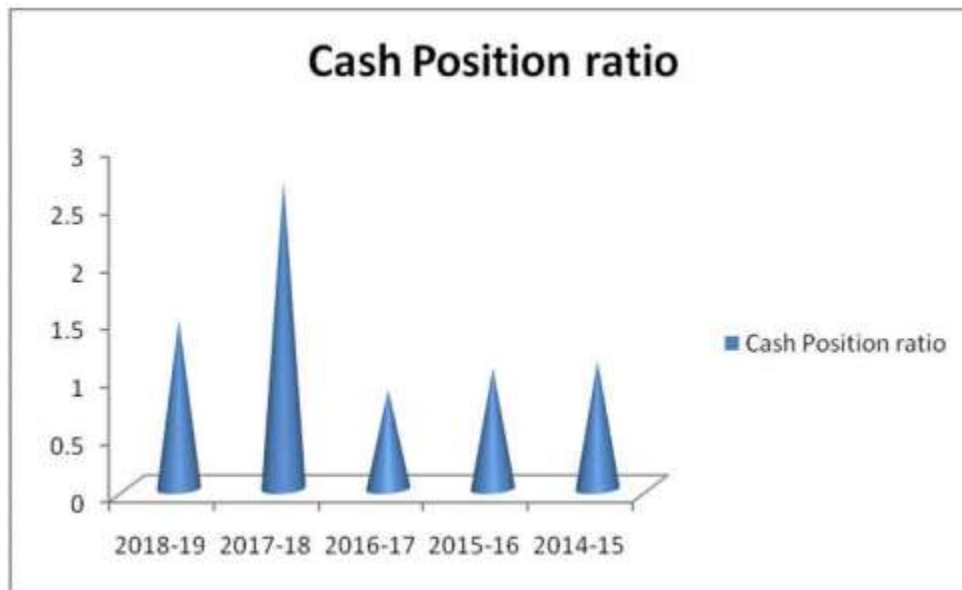
CASH POSITION RATIO

The "absolute cash ratio" is another name for this figure. This represents a shift in the speed ratio. If cash and cash equivalents are severely limited, this ratio is calculated. This ratio balances short-term obligations and cash and near cash liquidity. The following formula is used to calculate the cash position ratio.
$$\text{Cash Position ratio} = \frac{\text{Cash and Bank Balances} + \text{Marketable Securities}}{\text{Current Liabilities}}$$
 0.75:1 is the ideal cash value. This is a more precise indicator of a company's liquidity situation.



Year	2018-19	2017-18	2016-17	2015-16	2014-15
CPR	1.47	2.68	0.86	1.05	1.11

Source: Annual Report



The bank's ability to meet its financial obligations is described in Table 2, which improves the bank's position. The cash position ratio was 1.11 in 2014-15, but it fell to 1.05 and 0.86 in 2015-16 and 2016-17, respectively. In 2017-18, however, it increased to 2.68. In 2018-19, it fell by 1.47 percent. During the research period, bank liquidity was excellent.

CONCLUSION

The HDFC Bank is the private sector's largest bank in India. Researchers discovered financial performance during the last five fiscal years, from 2014-15 to 2018-19. The data was taken from the Bank's annual reports and website. The data was analysed using various ratios. This research paper discovered that HDFCbank's financial outcomes have been solid throughout the study period.



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