

IMPACT OF INTERNET BANKING ON PRIVATE INVESTMENT

JAGDISH PRASAD AWASTHI* AND
VIVEK KUMAR MISHRA**

***Abstract:** The banks in India are also trying to speed up in services to customers and become proactive till 1990, the Indian banks have been working in a very relax mode and safe environment. But now a day's heavy competition among banks in India due to changed economic policies. The technology is increasing the competition in the banking sector. Few years back, banks have been using technology to improve their products and efficiency. Technology is not only changing the style of working but also the relationship with customers which are very important for survival of banks. Information Technology has no doubt changes the overall pattern of banking system. Banks are now more alert about the value added services to customers. Today most of the banking happens within a second while you are breathing. ATMs are at your doorstep. Banking services are accessible 24x7x365. There are more plastic cards in your wallet than currency notes. A huge part of this change is due to Information Technology. Banks are executing and operating worldwide lot of transaction and services in competitive environment. To survive in this environment banks have to use Information Technology. Electronic banking has emerged from such an innovative development. The objective of the present paper is to study and analyze the impact of E-Banking on private investment in U.P. The study is secondary based and analytical in nature. The progress in e-banking in Indian banking industry is measured through various parameters like-ATM, RTGS, NEFT, POS, and Net banking etc.*

INTRODUCTION

Internet banking (or E-banking) means any user with a personal computer and a browser can get connected to his banks website to perform any of the virtual banking functions. In internet banking system the bank has a centralized database that is web-enabled. All the services that the bank has permitted on the internet are displayed in menu. Once the branch offices of bank are interconnected through terrestrial or satellite links, there would be no physical identity for any branch. It would be a borderless entity permitting anytime, anywhere and anyhow banking.

* Research Scholar, Faculty of Management, Pacific Academy of Higher Education and Research University, Udaipur, Rajasthan, India

** Department of Management, Institute of Technology & Management, Lucknow

E-banking provides enormous benefits to consumers in terms of ease and cost of transactions, either through Internet, telephone or other electronic delivery. Electronic finance (E-finance) has become one of the most essential technological changes in the financial industry. E-banking is the newest delivery channel for banking services. Banks have used electronic channels for years to communicate and transact business with both domestic and international corporate customers. With the development of the Internet and the World Wide Web (WWW) in the latter half of the 1990s, banks are increasingly using electronic channels for receiving instructions and delivering their products and services to their customers. This form of banking is generally referred to as e banking or Internet banking, although the range of products and services provided by banks over the electronic channel vary widely in content, capability and sophistication. E-banking is defined as the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels. The definition of e-banking varies amongst researches partially because electronic banking refers to several types of services through which bank customers can request information and carry out most retail banking services via computer, television or mobile phone (Daniel, 1999; Mols, 1998; Sathye, 1999). Burr (1996), for example, describes it as an electronic connection between bank and customer in order to prepare, manage and control financial transactions. Electronic banking can also be defined as a variety of following platforms: (a) Internet banking (or online banking), (b) telephone banking, (c) TV-based banking, (d) mobile phone banking, and e-banking (or offline banking).

The explosion of Internet usage and the huge funding initiatives in electronic banking have drawn the attention of researchers towards Internet banking. Although hundreds of crores have been spent on building Internet banking systems, reports have shown that potential users may not use the systems in spite of their availability. There is need for research to identify the factors that determine acceptance of Internet banking by the users (Luarn and Lin, 2005). In their study, Luarn and Lin extended the technology acceptance model (TAM), which includes perceived ease of use and perceived usefulness, by adding 'perceived credibility', 'perceived self- efficacy' and 'perceived financial cost' to the theoretical framework. The results strongly support the extended TAM in predicting users' intentions to adopt mobile banking. Bomil and Ingoo (2002) confirmed in their study that two beliefs, ease of use and usefulness, partially explain the user's behavior in the emerging environment such as Internet banking. They introduced trust as another belief in TAM that has an impact on the acceptance of Internet banking. According to the results of their statistical analysis, trust is one of the most significant beliefs in explaining a customer's attitude towards using Internet banking. Trust has a more direct effect on an individual's behavior than perceived ease of use in the online banking context, while perceived ease of use has a greater total effect on a customer's actual use. Wang *et al.* (2003) also used the TAM, and they introduced 'perceived credibility' as a new factor that reflects the user's security and privacy

concerns in the acceptance of Internet banking. The study also examined the effect of computer self-efficacy on the intention to use Internet banking. Based on a sample of 123 users from telephonic interview, the results strongly support the extended TAM in predicting the intention of users to adopt Internet banking. It also demonstrates the significant effect of computer self-efficacy on behavioral intention through perceived ease of use, perceived usefulness and perceived credibility. Koufaris *et al.* (2002) examined the impact of consumer experience and attitudes on intention to return and unplanned purchases online. The study found that perceived control and shopping enjoyment can increase the intention of new web customers to return, but seemingly do not influence repeat customers to return. Furthermore, the more often customers return to web store, the more their shopping enjoyment is determined by their product involvement. Another study, by Kambil *et al.* (2000), shows that senior management's support and technical issues such as information security have most significant impacts on firms that take their business online.

Mols (1999) determined that bank customers are divided into an Internet banking category and a branch banking category. This segmentation grew with the increased use of the Internet. The Internet influences the future distribution channel structure in two ways: (a) it is in itself a new distribution channel for financial services; and (b) it influences consumers in a way that they invest time and resources in becoming computer literate and in familiarizing themselves with the Internet. In another of his studies, Mols (1998) compared the behavior of users of computer-based home banking systems with nonusers. The results of the Pearson's and Spearman's correlation analyses show that users of net banking are more satisfied, are less price-sensitive, have higher intentions to repurchase and provide more positive word-of-mouth than non-users. For the banks, these results indicate that in the future PC banking systems will become a stable source of revenue from a mass of loyal customers. Hitt and Frei (2002), examined whether and how characteristics or behaviors might differ between customers who use electronic delivery systems and those who use traditional channels. By using logistic regression, they concluded that demographic characteristics and changes in customer behavior following adoption of net banking account for only a small fraction of the overall differences. They also found evidence that customers who adopt online banking have greater propensity than traditional customers to adopt future bank products and services over a time period. Karjaluoto *et al.* (2002) explored the effect of different factors leading to attitude formation towards Internet banking in Finland. By using factor analysis, they determined the factors that influence the formation of attitude towards online banking and their relation to the use of online services. The study showed that prior experience of computers and technology as well as demographic factors impact heavily on consumers' online behavior. A typical online banking user is relatively young, well educated and with high level of income. Jun and Cai (2001) used the critical incident technique to uncover the key dimensions of Internet banking customers and to identify critical satisfying and dissatisfying

factors, including customer service quality, banking service product quality and online systems quality. The most frequently mentioned factors of satisfaction or dissatisfaction were reliability, responsiveness, access and accuracy.

OBJECTIVE OF THE STUDY

The major objective of the study is to analyse the various innovative instruments introduced by banks in recent times. The specific objectives of the study are:

- To evaluate the Plastic cards, Debit & Credit cards, NEFT, RTGS, Net banking, Mobile banking growth in the banking area.
- To analyse the banking performance after computerization of commercial banks of India.
- To study the problem faced by Indian banks in the changing scenario.

RESEARCH METHODOLOGY

Research Design are Exploratory and empirical research design which based on secondary data. The study is based on the secondary data which was collected from different journals, sites and published data from various issues of RBI. The Data collected for the study was analyzed logical and meaningfully to arrive at meaningful conclusion. The data is analyzed by calculating simple averages, percentages. Period of Study is current with past references according need

IMPACT OF E-BANKING ON TRADITIONAL SERVICES

E-banking transactions are much cheaper than branch or even phone transactions. This could turn yesterday's competitive advantage - a large branch network - into a comparative disadvantage, allowing e-banks to undercut bricks-and-mortar banks. This is commonly known as the "beached dinosaur" theory. E-banks are easy to set up, so lots of new entrants will arrive. „Old-world_ systems, cultures and structures will not encumber these new entrants. Instead, they will be adaptable and responsive.

E-banking gives consumers much more choice. Consumers will be less inclined to remain loyal. Portal providers are likely to attract the most significant share of banking profits. Indeed banks could become glorified marriage brokers. They would simply bring two parties together e.g. buyer and seller, payer and payee. The products will be provided by monoclines, experts in their field. Traditional banks may simply be left with payment and settlement business even this could be cast into doubt. Traditional banks will find it difficult to evolve. Not only will they be unable to make acquisitions for cash as opposed to being able to offer shares, they will be unable to obtain additional capital from the stock market. This is in contrast to the situation for Internet firms for whom it seems relatively easy to attract investment-banking is just banking offered via a new delivery channel. It simply gives consumers another service (just as ATMs did). Experience in Scandinavia

(arguably the most advanced e-banking area in the world) appears to confirm that the future is „clicks and mortar_ banking. Customers want full service banking via a number of delivery channels. The future is therefore „Martini Banking_ (any time, any place, anywhere, anyhow). Traditional banks are starting to fight back. The start-up costs of an e-bank are high. Establishing a trusted brand is very costly as it requires significant advertising expenditure in addition to the purchase of expensive technology (as security and privacy are key to gaining customer approval).E-banks have already found that retail banking only becomes profitable once a large critical mass is achieved. Consequently many e-banks are limiting themselves to providing a tailored service to the better off. E-Banking transaction needs some interface to communicate with banking customer. All the electronic transaction performs through some interfaces. The electronic devices which perform interact with customers and communicate with other banking system is called electronic banking delivery channels.

THE ADVANTAGES OF INTERNET BANKING

Many banks have begun to offer customers the option of online-internet banking, a practice that has advantages for both all parties involved. The convenience of being able to access accounts at any time as well as the ability to perform transactions without visiting a local branch, draw many people to be involved. Some of these advantages of internet banking but are not limited to, include:

Customer's Convenience: Direct banks are open for business anywhere there is an internet connection. They are also 24 hours a day, 365 days a year open while if internet service is not available, customer services is normally provided around the clock via telephone. Real-time account balances and information are available at The touch of a few buttons thus, making banking faster, easier and more efficient. In addition, updating and maintaining a direct account is easy since it takes only a few

Minutes to change the mailing address, order additional checks and be informed for market interest rates.

More Efficient Rates: The lack of significant infrastructure and overhead costs allow direct banks to pay higher interest rates on savings and charge lower mortgage and loan rates. Some offer high-yield checking accounts, high yield certificate of deposits (CDs), and even no-penalty CDs for early withdrawal. In addition, some accounts can be opened with no minimum deposits and carry no minimum balance or service fees.

Services: Direct banks typically have more robust websites that offer a comprehensive set of features that may not be found on the websites of traditional banks. These include functional budgeting and forecasting tools, financial planning capabilities, investment analysis tools, loan calculators and equity trading platforms. In addition, they offer free online bill payments, online tax forms and tax preparation.

Mobility: Internet banking also includes mobile capabilities. New applications are continually being created to expand and improve this capability on smart-phones and other mobile devices.

Transfers: Accounts can be automatically funded from a traditional bank account via electronic transfer. Most direct banks offer unlimited transfers at no cost, including those destined for outside financial institutions. They will also accept direct deposits and withdrawals that the customer authorizes such as payroll deposits and automatic bill payment.

Ease of Use: Online accounts are easy to set up and require no more information than a traditional bank account. Many offer the option of inputting the customer's data online or downloading the forms and mailing them in. If the customer runs into a problem, he has the option of calling or e-mailing the bank directly.

Environment Friendly: Internet banking is also environmentally friendly. Electronic transmissions require no paper, reduce vehicle traffic and are virtually pollution-free. They also eliminate the need for buildings and office equipment.

The Reserve Bank of India had been preparing for the roll-out of demonetisation policy six months before Prime Minister Narendra Modi announced it on November 8. But the implementation of the policy has not been smooth, with banks failing to meet the demand for cash in new currency. With the infusion of new currency, RBI changed rules for withdrawal, exchange and deposit of cash several times. In days that followed the roll-out of new currency notes on November 10, Economic Affairs Secretary Shaktikanta Das held several press conferences thereafter to announce new rules

ANALYSIS AND FINDINGS

Growth of ATMs in India

An automated teller machine (ATM) is a computerized telecommunications device that provides banking services ANY TIME & ANYWHERE, ANYBANK to the customer. The customer is saved the risk or bother of carrying hard cash or travelers' cheque while travelling. It has also given cost savings to banks. Entry of ATMs has changed the profile of front offices in bank branches. Customers no longer need to visit branches and other places for their day to day banking transactions like cash deposits, withdrawals, cheque collection, balance enquiry, train tickets reservations, products from shopping mall, donations and charities, adding pre/paid mobile phone transactions, purchasing online products, paying bills, fees and taxes, pos etc.

As same as the previous years, the penetration of ATMs across the country is again increasing in 2015-16. In 2015-16 the number of ATMs witnessed a growth of approximately 20 percent to the previous year. It is not an exaggeration to say that across the country, this growth will cross the level of 2, 00,000 ATMs in next year. Also Over the years, the relative growth in on-site ATMs has been much more

than of off-site ATMs. Approximately 70% percent of the total ATMs belonged to the public sector banks as at end March 2016 (Table 1).

Table 1
ATMs of Scheduled Commercial Banks

| Sr. No. | Bank group | On site ATMs | Off site ATMs | Total number of ATMs | Off site ATMs as % of total ATMs |
|---------|----------------------|--------------|---------------|----------------------|----------------------------------|
| 1 | Public sector banks | 80399 | 62060 | 142459 | 43.56 |
| 2 | Private sector banks | 20724 | 33708 | 54432 | 61.93 |
| 3 | Foreign banks | 261 | 799 | 1060 | 75.38 |
| 4 | All SCBs (I+II+III) | 101384 | 96567 | 197951 | 48.28 |

Data source-www.rbi.com-RBI statistical report 2016

Debit Card and Credit Card

Plastic money is the alternative to the cash or standard money. These cards are electronic card issued by a bank which allows bank clients access to their account to withdraw cash or pay for goods and services. It is convenient to carry. The various Plastic money/cards include ATM cards, Debit Card, ATM cum Debit Card, Credit Card. Plastic money was a delicious gift to Indian market. Now several new features added to plastic money to make it more attractive. Credit card is a financial instrument, which can be used more than once to borrow money or buy products and services on credit. Banks, retail stores and other businesses generally issue these. On the basis of their credit limit, they are of different kinds like classic, gold or silver. There has been growth in issuance of debit and credit cards by public and private sector banks. However a Debit card is much higher as compared to credit cards and they remain a preferred mode of transactions in India. While public sector banks have been frontrunners in issuing debit cards, new private sector banks continue to lead in the number of credit cards issued (Table 2).

Table 2
Credit and Debit Cards Issued by Banks

| Sr. No. | Bank group | (in millions) | | | |
|---------|----------------------|------------------------------------|----------|-----------------------------------|-----------|
| | | Outstanding Number of Credit Cards | | Outstanding Number of Debit Cards | |
| | | 2015 | 2016 | 2015 | 2016 |
| 1 | Public sector banks | 4308449 | 5048354 | 459626728 | 548501376 |
| 2 | Private sector banks | 12075440 | 14731014 | 90787177 | 102569319 |
| 3 | Foreign banks | 4726764 | 4725851 | 3037648 | 3043526 |
| 4 | All SCBs (I+II+III) | 21110653 | 24505219 | 553451553 | 654114221 |

Data source-www.rbi.com-RBI statistical report 2016

NEFT (National Electronic Funds Transfer)

Gone are those days when depositing amount in a friend, relatives or others account would take a few business days. World is moving faster and now there are various methods for fund transfer to another account within nix time. According to Reserve

Bank of India, NEFT is a nation-wide payment system to facilitate one-to-one funds transfer. Under NEFT, individuals, firms and corporate can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the Scheme. The funds under NEFT can be transferred by individuals, firms or corporate maintaining accounts with a bank branch. Even individuals not having a bank account can deposit cash at the NEFT-enabled branches with instructions to transfer funds using NEFT. However, such cash remittances will be restricted to a maximum of Rs.50,000/- per transaction. Such walk-in-customers have to furnish full details including complete address, telephone number, etc. NEFT, thus, also help in transfer of funds even without having a bank account. This is a simple, secure, safe, fastest and cost effective way to transfer funds especially for Retail remittances.

On the basis of table 3 and 4, it can be see that the penetration of NEFT is increasing day by day across the country. The customers of bank are enjoying this simple, secure, safe, fastest and cost effective fund transfers. As compare to year 2015, number of inward and outward transactions has increased in 2016. As the same comparison from 2015, the number of transactions of outward and inward witnessed a growth of 18 and 21 percent approximately. In all SCBs the percentage

Table 3
National Electronic Funds Transfer by Banks

(Amount in Rs. millions)

| Sr. No. | Bank group | Total Outwards Debits | | | |
|---------|----------------------|-----------------------|------------|---------------------|------------|
| | | 2015 | | 2016 | |
| | | No. of Transactions | Amount | No. of Transactions | Amount |
| 1 | Public sector banks | 57362752 | 2969292.87 | 59866187 | 4105223.86 |
| 2 | Private sector banks | 36141523 | 2437423.71 | 50192033 | 3594872.95 |
| 3 | Foreign banks | 11605703 | 1404018.01 | 14357901 | 1833517.34 |
| 4 | All SCBs (I+II+III) | 105109978 | 6810734.59 | 124416121 | 9533614.15 |

Data source-www.rbi.com-RBI statistical report 2016

Table 4
NEFT -National Electronic Funds Transfer by Banks

(Amount in Rs. millions)

| Sr. No. | Bank group | Received Inward Credits | | | |
|---------|----------------------|-------------------------|------------|---------------------|------------|
| | | 2015 | | 2016 | |
| | | No. of Transactions | Amount | No. of Transactions | Amount |
| 1 | Public sector banks | 74835617 | 3538131.40 | 89990261 | 5155302.74 |
| 2 | Private sector banks | 25179809 | 2497392.84 | 31668368 | 3554414.44 |
| 3 | Foreign banks | 3316065 | 974100.34 | 4127832 | 1278438.34 |
| 4 | All SCBs (I+II+III) | 103331491 | 7009624.58 | 125786461 | 9988155.52 |

Data source-www.rbi.com-RBI statistical report 2016

of public sector banks are performing much better than to other banks. With the oldest and wide networking of public sector banks, customers are showing more trust on it and take interest for using their fund transfer system as compare to private sector banks and foreign banks.

RTGS (Real Time Gross Settlement)

RTGS, introduced in India since March 2004, is a system through which electronics instructions can be given by banks to transfer funds from their account to the account of another bank. The RTGS system is maintained and operated by the RBI and provides a means of efficient and faster funds transfer among banks facilitating their financial operations. As the name suggests, funds transfer between banks takes place on a 'Real Time' basis. Therefore, money can reach the beneficiary instantaneously and the beneficiary's bank has the responsibility to credit the beneficiary's account within two hours.

There has been a sustained growth of RTGS in 2016. In terms of both volume and value of all types of electronic transactions of scheduled commercial banks has increasing gradually. The transactions which are more than 2,00,000 lakh rupees people are using this safe, secure and fastest system. On the basis of table 7.4.1 and 7.4.2, it can be see that the volume of private sector banks and foreign banks is less than public sector banks but their value is more than public sector banks. It means, the transactions which are above two lakh people are showing more trust on these two sector banks (Table 5 and Table 6).

Mobile Banking

Mobile phones as a medium for providing banking services have been attaining increased importance. Reserve Bank brought out a set of operating guideline on mobile banking for banks in October 2008, according to which only banks which are licensed and supervised in India and have a physical presence in India are permitted to offer mobile banking after obtaining necessary permission from Reserve

Table 5
RTGS (Bank-wise RTGS inward) by Banks
(Volume in million, Value in Rs. billion)

| Sr. Bank group No. | Bank wise RTGS inward | | | | | | | |
|-------------------------|-----------------------|-------|----------|-------|---------|-------|----------|-------|
| | 2015 | | | | 2016 | | | |
| | Volume | % | Value | % | Volume | % | Value | % |
| I Public sector banks | 4910474 | 50.77 | 29325.01 | 50.77 | 4933263 | 50.01 | 31982.07 | 31.97 |
| II Private sector banks | 3694316 | 38.19 | 32453.50 | 38.19 | 3855320 | 39.08 | 38610.49 | 38.59 |
| III Foreign banks | 860708 | 8.90 | 18232.66 | 8.90 | 830143 | 8.42 | 19109.88 | 19.10 |
| IV All SCBs (I+II+III) | 9465498 | 97.86 | 80011.16 | 97.86 | 9618726 | 97.51 | 89702.45 | 89.66 |

Data source-www.rbi.com-RBI statistical report 2016

Table 6
RTGS (Bank wise RTGS outward) by Banks
(Volume in million, Value in Rs. billion)

| Sr. No. | Bank group | Bank wise RTGS outward | | | | | | | |
|---------|----------------------|------------------------|-------|----------|-------|---------|-------|----------|-------|
| | | 2015 | | | | 2016 | | | |
| | | Volume | % | Value | % | Volume | % | Value | % |
| I | Public sector banks | 5294842 | 54.74 | 29652.66 | 54.74 | 5265806 | 53.38 | 33010.63 | 33.00 |
| II | Private sector banks | 3660583 | 37.84 | 33292.35 | 37.84 | 3841837 | 38.95 | 39827.16 | 39.81 |
| III | Foreign banks | 444862 | 4.60 | 18545.84 | 4.60 | 434754 | 4.41 | 19249.88 | 19.24 |
| IV | All SCBs (I+II+III) | 9400287 | 97.18 | 81490.85 | 97.18 | 9542397 | 96.74 | 92087.67 | 92.05 |

Data source-www.rbi.com-RBI statistical report 2016

Bank. The guidelines focus on systems for security and inter-bank transfer arrangements through Reserve Bank's authorized systems. On the technology front the objective is to enable the development of inter-operable standards so as to facilitate funds transfer from one account to any other account in the same or any other bank on a real time basis irrespective of the mobile network, a customer has subscribed to. Mobile users have found convenience in the use of mobile phone to transfer money. There is a remarkable increasing trend in this electronic payment. The value of mobile transactions jumped more than two times in just one year and the total value of money transferred through mobile phones surged to Rs 464401645 crore in 2015-16 from Rs 168901572 crore in 2014-15. In all scheduled commercial banks the percentage of private sector banks are performing much better than to other banks. They are transferring more money through mobile phones than ever before (Table 7 and Table 8).

Table 7
E-Banking Trend from 2008 to 2016
(All Amount in Billion or 100 Crore)

| S. No. | Year | NEFT (Amount) | RTGS (Amount) | Mobile Banking (Amount) | ECS DR (Amount) | ECS CR (Amount) | Total (Amount) |
|--------|-------|------------------|------------------|-------------------------------|--------------------|--------------------|-------------------|
| 1 | 2008 | 113 | 25979 | 0 | 52 | 75 | 26219 |
| 2 | 2009 | 248 | 36478 | 0.04 | 59 | 57 | 36842.04 |
| 3 | 2010 | 530 | 48167 | 0.23 | 63 | 94 | 48854.23 |
| 4 | 2011 | 1503 | 59916 | 0.8 | 58 | 95 | 61572.8 |
| 5 | 2012 | 2403 | 67174 | 2 | 77 | 134 | 69790 |
| 6 | 2013 | 3602 | 77410 | 10 | 95 | 170 | 81287 |
| 7 | 2014 | 5312 | 81773 | 34 | 126 | 214 | 87459 |
| 8 | 2015 | 7173 | 87421 | 169 | 155 | 151 | 95069 |
| 9 | 2016 | 10226 | 100045 | 490 | 153 | 89 | 111003 |
| | Total | 31110 | 584363 | 706.07 | 838 | 1079 | 618096.1 |

Data source-www.rbi.com-RBI statistical report 2016

Table 8
E-Banking Trend from 2010 to 2016

All Amount in Million or 10 Lacs

| S. No. | Year | ATM | Point of Sale | Credit Card Number | Credit Card Amt | Debit Card Number | Debit Card Amt |
|--------|------|--------|---------------|--------------------|-----------------|-------------------|----------------|
| 1 | 2011 | 75645 | 595958 | 17777686 | 71516 | 230256833 | 1098708 |
| 2 | 2012 | 95686 | 660920 | 17653818 | 89581 | 278282839 | 1363701 |
| 3 | 2013 | 114014 | 854290 | 19538329 | 112709 | 331196720 | 1623278 |
| 4 | 2014 | 160055 | 1065984 | 19181567 | 147148 | 394421738 | 1881868 |
| 5 | 2015 | 181398 | 1126735 | 21110653 | 181330 | 553451553 | 2095762 |
| 6 | 2016 | 197327 | 1363476 | 24126523 | 209082 | 658378788 | 2270609 |

Data source-www.rbi.com-RBI statistical Report, 2016

CHALLENGES AHEAD FOR BANKING SECTOR

Technological changes in Indian banking system presents unique opportunities and challenges for the banking industry. Developing or acquiring the right technology, deploying it optimally and then leveraging it to the maximum extent is essential to achieve and maintain high service and efficiency standards while remaining cost effective and delivering sustainable return to shareholders. Managing technology is therefore, a key challenge for the Indian banking sector. Developing countries like India, has a huge number of people who don't have access to banking services due to scattered and fragmented locations. But if we talk about those people who are availing banking services, their expectations are raising as the level of services are increasing due to the emergence of Information Technology and immense competition between the services & products provided by different banks. Since, foreign banks are playing in Indian market, the number of services offered has increased and banks have laid emphasis on meeting the customer expectations.

India is a country with huge population and the demographic growth of India is such that it is going to become the most populated country very soon. Technological advancements can bring about close integration between the urban and rural population. The primary challenge is to give consistent service to customers irrespective of the kind of customer whether rural or urban. Retention of customers is going to be a major challenge. Banks need to emphasis on retaining customers and increasing market share. Even with ATM machines and Internet Banking, many consumers still prefer the personal touch of their neighborhood branch bank. Technology has made it possible to deliver services throughout the branch bank network, providing instant updates to checking accounts and rapid movement of money for stock transfers. However, this dependency on the network has brought IT department's additional responsibilities and challenges in managing, maintaining and optimizing the performance of retail banking networks. Illustratively, ensuring that all bank products and services are available, at all times, and across the entire organization is essential for today's retails banks to generate revenues and remain competitive.

Following challenges are as follows:

- Competition from MNC banks
- Competition from private banks
- Struggle with regulatory bodies
- High customer expectations
- Continuously technology Changes
- Maintaining high quality assets.
- Managing different expectations of customers
- Non-Performing Assets (NPA)

The banking industry is changing at a phenomenal speed. While at the one end, we have millions of savers and investors who still do not use a bank, another segment continues to bank with a physical branch and at the other end of the spectrum, the customers are becoming familiar with ATMs, e-banking, and cashless economy. This shows the immense potential for market. Banks are setting up alternative delivery channels to contain operating costs like off-site ATMs, internet banking, mobile banking, outsourcing, centralized transaction processing, etc.

CONCLUSIONS

The rise of internet banks has increased the competition of the banking business. Since both, internet and “brick-and-mortar” banks offer unique benefits and drawbacks, it may not be wise for a potential future banking customer to do banking exclusively with either option. While its not possible for everyone, the best thing may be to separate banking between both in-store and online services and enjoy the conveniences and savings of internet banks while maintaining the customer service and personal relationships that a physical branch can provide. Although the benefits of internet banking are undeniable, there are some inconveniences and concerns of which customers should be aware of. Many people have difficulty relying on the security of online transactions, fearing the very real possibility of identity theft. Identity theft is a significant concern, but some online banks take this risk more seriously than others. Before opening an online account, its better for the customer to investigate the bank’s security policies and protections to ensure they meet his expectations. Clearly, choice of whether or not to bank over the internet depends on many variables. Even if a customer can see benefits, he may be unwilling if he does not trust or have much experience with the internet. At the other end of the spectrum, people may sign up for limited services like account viewing. This will save them from safety concerns but will give them daily access to account activity. If the customer decides that internet banking is right for him, he must be sure to review other offers from several banks. Each bank has different fees and advantages that can make a big difference in how much internet banking costs. By

comparing deals and being educated, a customer can find an internet banking service that suits his needs.

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