

## E-Banking in India: Issues and Challenges

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**Abstract:** Internet banking is a service that allows customers to access and perform financial transactions on their bank accounts from their web enabled computers with Internet connection to banks' web sites any time they wish. This paper describes a study about the major issues and challenges in the development of the electronic banking (e-banking) industry. This research shows that application of e-banking in India can help their local banks to reduce operating costs and provide a better and fast service to their customers.

**Keywords:** Internet banking, challenges, banks, computer, customers

### INTRODUCTION

Electronic banking or Internet banking or e-banking has been defined in many ways. Daniel defines e-banking as the delivery of Banks' information and services by banks to customers via different delivery platforms that can be used with different terminal devices such as a personal computer and a mobile phone with browser or desktop software, telephone or digital television [1]. It can also be defined as the delivery of banking services through the open-access computer network (the Internet) directly to customers' home or private address and services. At an advanced level, it involves provision of facilities such as accessing accounts, transferring funds, and buying financial products or services online. This is called "transactional" online banking[2].

E-banking saves precious time and energy of the customers as they do not have to wait in long lines in front of banks to get their simple jobs done. It is easy as well as convenient to do transactions using e-banking. Due to e-banking, the banks are enjoying numerous advantages like wider and deeper reach to the customers, quicker time to market, ability to introduce new products and services quickly, greater customer loyalty etc. E-banking technologies have proliferated in recent years, and the availability of a wide range of products has led to increasing adoption among consumers. These technologies include direct deposit, computer banking, stored value cards, and debit cards. Consumers are attracted to these technologies because of convenience, increasing ease of use, and in some instances cost savings. E-banking links business to customers no matter their geographical location [3]. It allows companies to make new business contacts from different global business alliances, test new products and services, and make market research and other

enquiries all at a minimal cost both financial and otherwise. In addition to previous e-banking delivery systems, Automated Teller Machines (ATMs) and telephone transaction processing centers, online banking provides banks anew and more efficient electronic delivery tool [4]. While ATMs were first introduced in early 1980s and initially an attempt to reduce operating costs, telephone call centers were developed in the 1990s to handle simple transactions and provide added customer services from a remote location.

This study tries to investigate the issues and challenges faced by e-banking in Gwalior region.

### Objective of the Study

1. To determine the challenges faced during the acceptance of e-banking.
2. To study the major issues associated with e-banking

### RESEARCH METHODOLOGY

Data is collected from secondary sources from magazines government reports and from newspaper.

### Electronic banking

Electronic distribution channels provide alternatives for faster delivery of banking services to a wider range of customers. E-banking is the newest delivery channel of banking services. The definition of e-banking varies amongst researchers partially because e-banking refers to several types of services through which a bank's customers can request information and carry out most retail banking services via computer, television or mobile phone[3, 5-6]. E-banking can also be defined as a variety of the following platforms:

- Internet banking (or online banking)
- Telephone banking

- TV-based banking
- Mobile phone banking
- PC banking (or offline banking).

### Importance of e-banking

E-banking primary benefit for the bank is cost saving and for the consumers a primary benefit is convenience [7-10]. E-banking does not only encompass the way one shops over the internet, but also the ways one carries out banking transactions. This allowed customers, more independence in the choice on where and when to bank. It is an obligation for banks to apply better strict security levels due to the many kinds of threats that are recently identified with these alternative channels. E-banking provides a number of advantages for both the banks and their customers:

- It removes geographical limitations for small and medium size banks, thereby paving ways for international operation without limits.
- It has no time limitation, *i.e.*, banking transactions may be performed throughout the day, week and from any place they can have access to the internet.
- It provides efficient cash management for interest optimisation.
- It provides convenience in terms of the capital, labor time and all the resources needed to make a transaction.
- It has assisted banks to increase in data collection, data management, and financial engineering that have improved the ability of potential creditors to assess the creditworthiness of potential borrowers and to price the risk associated with those borrowers through standardized mechanisms such as credit scoring.

### Current issues of e-banking

There are several major issues in e-banking [12-20].

#### I. Technological Issues:

Following four technology issues needed to be resolved in the area of Security, privacy, authentication and divisibility:

1. **Security:** The lack of security may result in serious damages.
2. **Privacy:** Privacy technology can become strengthening by ensuring the secrecy of sender's personal information and by enhance the transactional security.
3. **Authentication:** Encryption may help to provide more secured transactions. The two possible ways to verify and verification through a third party called Certification Authority.
4. **Divisibility:** Electronic money may be divisible into different units of currency, similar to real money .

#### II. Security Issues:

Security violation can be categorized as Violation with serious criminal intention, Violation by 'casual hackers' or Flaws in systems design and/ or set up leading to security violation. E-banking system users still face the security risks with unauthorized access. It is extremely important to build in non-reputability which means that the identity of both the sender and the receiver can be attested to by a trusted third party who holds the identity certificates.

#### III. Implementation issues:

The key challenges faced by the designers of e-banking systems to deliver the above outlined services are legacy system integration and delivery of the integrated service across multiple channels, each with different presentation, service management and security capabilities. The service must be tailored to the characteristics of the target device and Communications channel, ensuring optimum security and service quality on each customer interaction.

### CONCLUSION

In today world of globalization e-banking is important aspect of development for banking sector by solving major issues, challenges faced by e-banking banking sector can develop customer loyalty towards banking sector this can be done by training and development and making banking process more easy and familiar to customers.

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