

# CURRENT STATUS OF ONLINE BANKING IN INDIA

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**Abstract-** Online banking, E-banking, virtual banking or internet banking is a system that enables banks to do their transactions like fund transfer, payment of loans and advances, deposits or withdrawal of cash virtually with the help of the internet. Online banking plays a significant role in the present banking system. It seems banks without online banking won't survive in the present era without using online banking. Electronic banking is inferred to be safe and secure, compared to physical banking. It ensures qualitative banking operations compared to traditional banking. Online banking in India is still in the early stages of growth and development. Competition and changes in technology have changed the face of the banking sector. The main aim of the research is to emphasize the challenges and opportunities of online banking in India.

**Keywords:** Online banking, internet, electronic payment, challenges, opportunities.

## 1. INTRODUCTION

Banking today has become easier, and it has led to a secure way for people to keep their hard-earned money in their bank accounts. Technology has reduced everything to a click of a button and people can transfer money from one account to another account even without standing in long queues for hours. There are numerous options available to people ranging from debit cards, credit cards, e-wallets, internet banking, and mobile banking and so on which have replaced the traditional methods of transactions. Earlier the payment through electronic mode was restricted to making huge and lump sum payments for large value transactions and cheques were the main instruments of transactions for a long time before technical innovations took place. Now even petty payments become easier through Online banking making it more convenient for users to settle their payments. The adoption of Online banking services by customers enables banks to get returns on their investment and provide them with a competitive environment.

### 1.1 Definition and concept of Online banking:

Often Online banking is defined as web-based banking (Hertzum et al., 2004). According to UNCTAD, (2002) stated that deployment of retail or wholesale banking services over the internet is often referred to as Online banking which involves individual and corporate clients, and includes bank transfers, payments and settlements, documentary collections and credits, corporate and household lending, card businesses, and some others. In the late 1990s, many banks originate to view web-based banking as a strategic obligatory. As a way of maintaining their customers and building loyalty, banks looked for web-based banking.

## 2. REVIEW OF EXISTING LITERATURE

Enormous studies have been done on banking throughout the globe. However, based on studies related research are as follows have been considered.

Ansari, Seharish J. & Khan, Nisar A. (2017) have tried to analyze the progress and challenges of ebanking in India from 2011 to 2016, also throwing some light on the status of retail electronic payments in the post-demonetization period. Their study shows that the number of internet users has increased from 2,231,957,359 to 3,424,971,237 in 2016, which is around 53.45% increase during the period. Also, the penetration of the internet as a ratio of population has increased from 31.8 % in 2011 to 46.1% in 2016. There has been a continuous increase in the number of debit card and credit card users.

Chauhan, V. & Chaudhary, V. (2015) focused on understanding the concept of internet banking and its benefits from the perspective of consumers as well as banks and the current scenario of internet banking. The growth percentage of mobile banking from 2010 to 2014 had been the highest, that is 495.64% while credit cards had seen the least growth from the same period at 11.07%. NEFT and RTGS transactions were at 602.69% and 89.29% respectively.

Manikyam, Ratna (2014) analyzed the impact of liberalization, privatization, and globalization on Indian banks and the resultant opportunities and challenges. The study revealed that the biggest challenges for banking challenge for the mass and companies and those Indian banks should come up with differentiated products to stand at par with foreign banks. Further, the study also emphasized building knowledge-driven organizations for surviving the competition from the banks globally.

Haq & Khan (2013) analyzed the challenges and opportunities in the Indian Banking sector. The study showed that only 28 percent of banking clients were using internet banking after evaluating the population characteristics. It found

that there was no significant relationship between age and the use of cyber banking. It also depicted that there is no relationship between gender and the adoption of internet banking. It observed that qualifications in terms of education and income of the respondents were playing the role in the acceptance of online banking. The study suggested that it is the need of time that financial literacy of the users should be increased through various programs which should be run by banks to increase the awareness of internet banking.

Seranmadevi, R (2012). Various Online banking can be attractive to potential customers in terms of improved accessibility, affordability, and ease of use. It also focuses on the functionality of electronic credit cards, frequency of usage, mode of repayment, value addition facilities offered along the credit cards for different client groups Dangwal, R.C. (2010). Technology is growing rapidly and undergoing many changes. It indicates the unification of communication technology, information systems, and innovative applications to product manufacturing, design, and control. With the advancement in technology, the world has become a global village and ushered in a revolution in the banking sector. Servon, (2008). Internet banking is revolutionizing the financial industry and banking now is no longer limited to branches, depositing, or withdrawing cash. With the increase in technology computer banking, direct deposits, stored value cards are being used.

Saleh and Andrea (2002), electronic banking, is procuring banking services via e- delivery channels. Though, different scholars defined the term electronic banking in a different ways all agreed up on that Online banking is getting/accessing bank services through ATM's, PC's, mobile devices etc. at anytime and anywhere which ensures throughout a day including weekends, even on holidays.

### 3. OBJECTIVES OF THE RESEARCH

- To evaluate the challenges in online banking in India.
- To investigate the different opportunities in online banking in India.

### 4. CURRENT SCENARIO OF ONLINE BANKING IN INDIA

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 online 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 online 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, Doorstep Banking, and Electronic Fund Transfer. According to the RBI in its Annual Report 2020-21 stated that the payment systems recorded a robust growth of 26.2% in terms of volume on top of the expansion of 44.2% in the previous year. Here some of the major key facts are as follows:

Private sector banks represent about 67% of the POS terminal market while public sector banks account for 27%. Payments banks accounted for 5% market share, and foreign banks represented 1%.

The total number of cards in circulation stood at 960.25 million as of March 2021. Out of which, there were 898.20 million debit cards and 62.05 million credit cards, up by 8% and 7% YOY respectively. → There were 2.20 billion prepaid payment instruments in the country. Out of which, 189.93 million comprised of prepaid cards and over 2.01 billion comprised of mobile wallets.

The number of transactions through mobile wallets in Q1 2021 was 1.13 billion and the value was INR 411.75 billion. This includes the purchase of goods and services and fund transfer through wallets. Transactions through wallets are growing steadily.

Consumers made 8.32 billion mobile-based payments whereas Net Banking / Internet browser-based transactions were over 937.60 million. In terms of value, INR 31.98 trillion was transacted through mobile while INR 131.34 trillion was transacted through the internet.

Out of total UPI volume, 55% of transactions were P2P (Person-to-Person) while 45% were P2M (Person-to-Merchant). It clocked over 2.73 billion transactions in volume and breached INR 5 trillion in terms of value. → The transactions volume passing through Bharat Bill Payment Central Unit (BBPCU) in Q1 2021 stood at 90.71 million while the value of the transaction was INR 134.70 billion. It registered a growth rate of 99% and 129% in volume and value respectively against Q1 2020.

AePS transactions (Offers, BHIM Aadhaar Pay) in Q1 2021 recorded a substantial volume of over 449.45 million transactions, registering about 120% growth over Q1 2020. It processed transactions worth INR 633.38 billion, an increase of 93% over Q1 2010.

#### 4.1 Challenges in Online Banking in India

Online banking is in its emerging stage of development in India. Most of them are basic services only the deregulation of the Online banking industry coupled with the emergence of new banking technology is enabling new competitors

to enter the financial services markets quickly and efficiently. However, it needs to be recognized that perception norms and an improvement in the functioning of Online banking services.

#### **4.2 Security Risk**

The problem related to security has become one of the major concerns for banks. A large group of customers refuses to opt for Online banking facilities due to uncertainty and security concerns. According to the IAMAI Report (2006), 43% of internet users are not using internet banking in India because of security concerns. So it is a big challenge for marketers and makes consumers satisfied regarding their security concerns, which may further increase online banking use.

#### **4.3 The Trust Factor**

Trust is the biggest hurdle to online banking for most customers. Conventional banking is preferred by the customers because of a lack of trust in online security. They have a perception that online transactions are risky due to which fraud can take place. While using Online banking facilities a lot of questions arise in the mind of customers such as: Did the transaction go through? Did I push the transfer button once or twice? Trust is among the significant factors which influence the customers' willingness to engage in a transaction with web merchants.

#### **4.4 Customer Awareness**

Awareness among consumers about the Online banking facilities and procedures is still on the lower side in the Indian scenario. Banks cannot disseminate proper information about the use, benefits, and facility of internet banking. Less awareness of new technologies and their benefits is among the most ranked barriers in the development of online banking.

#### **4.5 Privacy Risk**

The risk of disclosing private information & fear of identity theft is one of the major factors that inhibit consumers while opting for internet banking services. Most consumers believe that using online banking services makes them vulnerable to identity theft. According to the study consumers' worry about their privacy and feel that banks may invade their privacy by utilizing their information for marketing and other secondary purposes without the consent of consumers.

#### **4.6 Strengthening Public Support**

In developing countries, in the past, most e-finance initiatives have been the result of joint efforts between the private and public sectors. If the public sector does not have the necessary resources to implement the projects it is important that joint efforts between public and private sectors along with the multilateral agencies like the World Bank, be developed to enable public support for e-finance related initiatives.

#### **4.7 Availability of Personnel Services**

In present times, banks are providing several services like social banking with financial possibilities, selective upgradation, computerization and innovative mechanization, better customer services, effective managerial culture, internal supervision and control, adequate profitability, strong organization culture etc. Therefore, banks must be able to provide complete personnel service to the customers who come with expectations.

#### **4.8 Implementation of Global Technology**

There is a need to have an adequate level of infrastructure and human capacity building before developing countries can adopt global technology for their local requirements. In developing countries, many consumers either do not trust or do not have access to the necessary infrastructure to be able to process e-payments.

#### **4.9 Non- Performing Assets (NPA)**

Nonperforming assets are another challenge to the banking sector. Vehicle loans and unsecured loans increased N.P.A., which in terms of 50% of banks' retail portfolio was also hit due to an upward movement in interest rates, restrictions on collection practices, and soaring real estate prices. So that every bank must take care of regular repayment of loans.

#### **4.10 Competition**

Nationalized banks and commercial banks have competition from foreign and new private sector banks. Competition in the banking sector brings various challenges before the banks such as product positioning, innovative ideas, and channels, new market trends, cross-selling ad at managerial and organizational part this system needs to be managed, assets and contain risk. Banks are restricting their administrative folio by converting manpower into machine power

i.e. banks are decreasing manual powers and getting maximum work done through machine power. Skilled and specialized manpower is to be utilized, and result-oriented targeted staff will be appointed.

#### 4.11 Handling Technology

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 returns to shareholders. Early adopters of technology acquire significant competitive advances Managing technology is, therefore, a key challenge for the Indian banking sector.

### 5. OPPORTUNITIES IN ONLINE BANKING IN INDIA

Despite various challenges that are prevailing in context with Online banking in India, the following opportunities are motivating the marketers for implementing Online banking: Untapped Rural Markets: Contributing to 70% of the total population in India is a largely untapped market for the banking sector. In all urban areas banking services have entered but only a few big villages have entered the banks. So that the banks must reach in remaining all villages because most Indians still living in rural areas.

#### 5.1 Multiple Channels

Banks can offer so many channels to access their banking and other services such as ATM, Local branches, Telephone/mobile banking, video banking, etc. to increase the banking business.

#### 5.2 Competitive Advantage

The benefit of adopting online banking provides a competitive advantage to the banks over other players. The implementation of Online banking is beneficial for banks in many ways as it reduces costs to banks, improves customer relations, increases the geographical reach of the bank, etc. The benefits of online banking have become opportunities for the banks to manage their banking business in a better way.

#### 5.3 Increasing Internet Users & Computer Literacy

Using internet banking is a very important or initial requirement that people should have knowledge about internet technology so that they can easily adapt the internet banking services. The fast-increasing internet users in India can be a very big opportunity and the banking industry should en-cash this opportunity to attract more internet users to adopt internet banking services. The table shows evidence of an increasing number of internet users in India.

Worthy Customer Service: Worthy customer services are the best brand ambassador for any bank for growing its business. Every engagement with customers is an opportunity to develop a customer's faith in the bank. While increasing competition customer services have become the backbone for judging the performance of banks.

#### 5.4 Internet Banking

Online finance will pick up and there will be increasing convergence in terms of product offerings banking services, share trading, insurance, loans, based on data warehousing and data mining technologies. Anytime anywhere banking will become common and will have to upscale, such up scaling could include banks launching separate internet banking services apart from traditional banking services.

#### 5.5 Retail Lending

Recently banks have adopted customer segmentation which has helped in customizing their product folios well. Thus, retail lending has become a focus area particularly in respect of the financing of consumer durables, housing, automobiles, etc., Retail lending has also helped in risks dispersal and in enhancing the earnings of banks with better recovery rates.

### CONCLUSION AND SUGGESTIONS

Digitalization has become conclusive for the banking sector in India, which plays a major role in providing better services to customers. Internet banking is one of the most significant banking channels that allow consumers to do many transactions, either financial or non-financial, through a bank's website. The various services offered are Internet banking, SMS banking, ATMs, and mobile banking, e-cheques, UPI, and debit/credit cards. In today's world of globalization, online banking is a significant aspect of the development of the banking sector by solving major issues, challenges faced by Online banking. The Indian banking industry can develop customer loyalty towards the banking sector. This can be done through training and development and by making the banking process easier and familiar to the customers. The younger generation is beginning to see the convenience and benefits of online banking. In the years to come, online banking will not only be an acceptable mode of banking but will be preferred mode of banking in India. Private sector banks represent more of the POS terminal market as compared to public sector banks. The prepaid payment instruments in the country are mostly paid for through mobile wallets. The Government of India and various

government agencies are trying to make Online banking more safe, secure, and reliable with the convenience of digital channels. Most of the customers visit branches less often and they use online and mobile technology for their banking needs more often. Online and mobile banking are rapidly growing. Nowadays most of the people of India using Online banking for their transactions and make them stand with the current scenario of the country.

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