



Janata Shikshan Prasarak Mandal Dahigaon-ne Sanchalit

Loknete Marudrao Chate Vastu Mahavidyalaya

Dahigaon-ne, Tal- Shevgaon, Dist-Ahmednagar

Department of Commerce



State Level Seminar

On

"E-BANKING BENEFITS AND CHALLENGES IN INDIAN ECONOMY"

Sponsored by

B.C.U.D., SAVITRIBAI PHULE PUNE UNIVERSITY, PUNE

Editor

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19	Approaches to Study Opportunity and Challenges of E-Banking"	Mr. Tambe Yogesh Bapusaheb.	67-69
20	<u>R.T.G.S. & NEFT</u>	Prof. Devkar Dipak Golhaji	70-72
21	E – MRAKETING	Prof. NALAWADE SANDIP ASHOK	73-74

SECTION - MARATHI

22	बँकिंग: बदलत्या परिस्थितीत माहिती-तंत्रज्ञान आणि ग्राहकांच्या अपेक्षा	डॉ सतिष पी. पुनसे	75-77
23	सहकारी बँका समोरील समस्या आणि आव्हाने	पाऊलबुध्दे अनुराधा रामभाऊ प्रा.डॉ.अशोक कोरडे	78-80
24	"भारतातील सहकारी बँकांची कर्ज प्रणालीची उत्क्रांती " १९०४ ते २०१६	प्रा. टोबे कालिंदा रोहिदास	81-83
25	बीज भांडवल योजना	मितकर कृष्णा धोंडिबा	84-87
26	बँकिंग सेवा क्षेत्रासमोरील आव्हाने	प्रा .संतोष गुलावराव यादव	88-91
27	पुणे महानगर परिवहन महामंडळाकडून दिलेल्या प्रवासी सुविधा व प्रवाशी संख्येतील वाढ/घटीचा अभ्यास	रणजित सतिश कदम डॉ.एम.यू.मुलाणी	91-95
28	बँक व्यवसायातील नवीन तंत्रज्ञानाचे महत्व, फायदे व तोटे	प्रा अमोल गायकवाड	96-98

“Approaches to Study Opportunity and challenges of E-Banking”

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Introduction

Financial sector plays an important role in the economic development of a country. Banking is the lifeline of an economy. A strong and healthy banking system is important requirement for economic growth. The economy of most developing countries is cash driven; meaning that monetary transactions are basically made through the exchange of bank notes and coins for goods and services. However, this trend is now giving way to a modern and sophisticated payment system where the currency and notes are converted to data, which are in turn transmitted through the telephone lines and satellite transponders. There is faster delivery of information from the customer and service provider, thus differentiating Internet enabled electronic banking system from the traditional banking operation.

Information Technology has become a necessary tool in today's organizations. Banks today operate in a highly globalized, liberalized, privatized and a competitive environment. IT has introduced new business paradigm. It is increasingly playing a significant role in improving the services in the banking industry. Indian banking industry has witnessed a tremendous developments due to sweeping changes that are taking place in the information technology.

Internet Banking refers to a system allowing individual customers to perform banking activities at off-bank sites such as home, office and other locations via internet based secured networks. Internet or online banking through traditional banks enable customers to perform all routine transactions, such as account transfers, balance inquiries, bill payments and stop-payment requests, and some even offer online loan and credit card applications.

Key words

Banking, Internet Banking, Financial inclusion

Objective of the study:-

The present paper has been prepared keeping in mind the following objectives.

1. To study the challenges faced in E-banking.
2. To study the opportunities available in E-banking.
3. The primary objective of the research paper is to get the full acquaintance of the internet banking and its benefits.

Research methodology:-

All are the data present study should have collected from s secondary source of data collection, like government reports, Bank website, publications from various websites which are based on various aspects of Banking sector.

Challenges in E-Banking

The ability to adopt global technology to local requirements: An adequate level of infrastructure and human capacity building are required before developing countries can adopt the global technology for their local requirements. For example, the review of the implementation plan of Society for Worldwide Interbank Financial Telecommunications (SWIFT)

to the internet shows that to date full migration has not occurred in many developing countries due to the lack of adequate infrastructure, working capital, and required technical expertise. The ability to strengthen public support for e-Banking: Historically, most e-Banking initiatives in developing countries have been the result of cooperative efforts between the private and public sectors. They originate not just from increased potential for cross border transactions but also for domestic transactions based on technology applications which raise many security related issues. The Basel Committee on Banking Supervision's Electronic Banking Group has defined risk management principles for electronic banking. It is necessary to know whether the efforts undertaken by the RBI are sufficient to ensure a reasonable level of security. Fifth, there are some serious implications of international e-banking.

OPPORTUNITIES IN E-BANKING

Untapped Rural Markets: Contributing to 70% of the total population in India is a largely untapped market for banking sector. In all urban areas banking services entered but only few big villages have the banks entered. So that the banks must reach in remaining all villages because majority of Indian still living in rural areas. **Multiple Channels:** Banks can offer so many channels to access their banking and other services such as— ATM, Local branches, Telephone/mobile banking, etc. to increase the banking business.

Competitive Advantage: The benefit of adopting e-banking provides a competitive advantage to the banks— over other players. The implementation of e-banking is beneficial for bank in many ways as it reduces cost to banks, improves customer relation , increases the geographical reach of the bank , etc. The benefits of e-banking have become opportunities for the banks to manage their banking business in a better way.

Increasing Internet Users— & Computer Literacy: To use internet banking it is very important or initial requirement that people should have knowledge about internet technology so that they can easily adopt the internet banking services. The fast increasing internet users in India can be a very big opportunity and banking industry should encase this opportunity to attract more internet users to adopt internet banking services. Table shows evidence of 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 customer is an opportunity to develop a customer faith in the bank. While increasing competition customer services has become the backbone for judging the performance of banks.

Internet Banking: It is clear that online finance will pickup and there will be increasing convergence in terms of product offerings banking services, share trading, insurance, loans, based on the 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.

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 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.

Benefits of E-Banking

The main benefit from the bank customers' point of view is significant saving of time by the automation of banking services processing and introduction of an easy maintenance tools for managing customer's money. The main advantages of e-banking for corporate customers are as follows. Reduced costs in accessing and using the banking services. Increased comfort and timesaving - transactions can be made 24 hours a day, without requiring the physical Interaction with the bank. Quick and continuous access to information- Corporations will have easier access to information as, they can Check on multiple accounts at the click of a button. Better cash management- E-banking facilities speed up cash cycle and increases efficiency of business Processes as large variety of cash management instruments are available on Internet sites of Estonian banks. For example, it is possible to manage company's short-term cash via Internet banks in Estonia (investments in over-night, short- and long term deposits, in commercial papers, in bonds and equities, in money market funds). Reduced costs- This is in terms of the cost of availing and using the various banking products and services Convenience- All the banking transactions can be performed from the comfort of the home or office or from the place a customer wants to. Speed - The response of the medium is very fast; therefore customers can actually wait till the last minute before concluding a fund transfer. Funds management- Customers can download their history of different accounts and do a what-if analysis on their own PC before affecting any transaction on the web. This will lead to better funds management.

Conclusion

With the time, the concept of internet banking has got attention in the Indian context. Most of the banks have already implemented the e-banking facilities, as these facilities are beneficial to both i.e. banks as well as consumers. The banks are facing many challenges and many opportunities are available with the banks. Many financial innovations like ATMs, credit cards, RTGS, debit cards, mobile banking etc. have completely changed the face of Indian banking. Thus, there is a paradigm shift from the seller's market to buyer's market in the industry and finally it affected at the bankers level to change their approach from "conventional banking to convenience banking" and "mass banking to class banking". The shift has also increased the degree of accessibility of a common man to bank for his variety of needs and requirements. In years to come, e-banking will not only be acceptable mode of banking but will be preferred mode of banking.

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