

## REVIEW OF THE LITERATURE ON OPPORTUNITIES AND CONSTRAINTS IN ADOPTION OF ELECTRONIC BANKING.

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### **ABSTRACT :**

Banking is the lifeline of an economy. A strong and healthy banking system is important requirement for economic growth. Indian banking industry, today is observing an IT revolution. The implementation of electronic banking has modernized the banks. Implementing the internet banking approach has benefited the both i.e. consumers as well as banks. Considering the benefits, the banks all over the globe have implemented the internet banking and banking organizations in India are no exception. The competition among the banks has led to the increasing total banking automation in the Indian banking industry. E-Banking is a generic term encompassing internet banking, telephone banking, mobile banking etc. Through E-Banking the bank wants to introduce the core concept of IT based Enabled Services (ITES). The E-Banking services are executed only upon the customer, and these e-banking services would fully integrate with the core banking solution that is already in usage. The objective of the present paper is to examine and analyze the progress made by Internet Banking in India.

**Keywords: E-Banking, Information Technology, Internet Banking, India.**

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**INTRODUCTION:**

Over the past three decades the rapid expansion of information and communication technologies (ICT) has created a tremendous impact on all areas of human life (Schneider, 2006). A widely studied area of technological transformation is in retail financial services. The internet has sparked an IT-based revolution in the financial services sector that has radically altered the way that banking services are delivered. This development referred to as internet banking, it is cost effective and people find great ease to complete their financial activities regardless of their physical location (Makris et al., 2009). It also increased service quality which is necessary for survival in competitive markets (Rouibah et al., 2009).

ATM's were the first self-service technologies in the banking sector which emerged in the 1970s followed by telephone banking services in the 1980s , and in the 1990s, banks further extended their offering by web-based banking applications. However, many areas are still untapped by the banks. There are many opportunities for banks to move even more customers to electronic banking channels. Adoption of internet banking is important both for bankers as well as customers, but it requires customers to adopt internet banking. Thus banks should understand more about their customer's perception towards internet banking adoption (Lassar et al., 2005). The increased availability of electronic banking modes in the banking industry has changed the way banks service their customers and improved customer satisfaction. There are varieties of different channels that provide easy mode to the customers as well as in decision making of their funds while sitting at home as it is just a click away. 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. Internet banking is a web-based service that enables the banks

authorized customers to access their account information. It permits the customers to log on to the banks website with the help of bank's issued identification and personal identification number (PIN). The banking system verifies the user and provides access to the requested services, the range of products and service offered by each bank on the internet differs widely in their content. The banking industry can kill two birds with one stone that is with help of technology. Tremendous progress took place in the field of technology which has reduced the world to a global village and it has brought remarkable changes in the banking industry.

## **REVIEW OF LITERATURE**

A.J.Joshua, Moli P Koshy(2011), in this study majority of the respondents have computer and internet access and they are also mostly proficient in using them. The users of internet banking, tele banking and mobile banking are in general found to be spending more hours using computers and internet than non-users of these services. The hours of computer usage, the frequency of internet usage and hours of internet browsing were found to be significantly higher among users as compared to non-users of technology enabled banking selfservice. It concludes that banks can target those customers whose usage of computers, internet and other technology products are relatively on the higher side. Shilpi Khandelwal (2011) analysed the factors influencing the customers propensity to use electronic banking as a primary banking channel and to know the critical success factors among users of the electronic banking and concluded that the perception of the consumers could be changed by awareness program, friendly usage, less charge, proper security and the best response to the services offered. Demography played an important role in the adoption of electronic banking facilities. Ahmad Kabir and Mahmood Hussain Shah (2013) used secondary data and reviewed relevant literatures to help identify potential critical success factors of frauds prevention in electronic banking to understand factors that could be critical in strengthening fraud prevention systems in electronic banking. The findings showed that besides technology, there were other issues, such as internal controls, customer education, staff education etc., that need to be addressed. Trivedi & Patel (2013) analysed the problems faced by customers while using e-banking facilities in India. It observed that most of the customers know about the e-banking services offered by their bank. The study found that there is a significant difference amongst different problems identified while using e-banking services. It also found that some problems affect more and some problems affect less in

use of banking services. It concluded that all the reasons are not equally responsible for not using e-banking services. Haq & Khan (2013) analysed the challenges and opportunities in the Indian Banking sector. The study showed that only 28 per cent banking clients were using internet banking after evaluating the population characteristics. It found that there was no significant relationship in between age and use of cyber banking. It also depicted that there is no relation in between gender and the adoption of internet banking. It observed that qualification 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. Vijayakumar Rajarathinam and charndra Kumar Mangalam(2013), has indicate that users were influenced by factors such as quick direct access, ease of use, anytime anywhere banking, status symbol, safety and security. The influence of the factors varied from the type of users. Consumers have different levels of competency in internet banking usage. The higher the consumers felt about their competency in handling internet banking, higher was their frequency in usage of internet banking. Moderate and novice of internet banking users had relatively lesser levels of usage satisfaction. Machogu, Abiud Moronge and Okiko, Lynet (2015) identified the relationship between the factors influencing on the adoption of information and communications technology in Rwandan commercial banks. The statistical results indicated that cost of adoption, risk of innovation, staff training had perceived and significant influence on information and communications technology.

### **OBJECTIVES OF THE STUDY**

- To study the current status of financial innovations in Indian banking sector.
- To identify various e-banking services/products adopted by India.
- To study the challenges faced in E-banking.
- To study the opportunities available in E-banking.

### **CURRENT STATUS OF E-BANKING IN INDIA**

Internet Banking has become an integral part of banking system in India. The concept of e-banking is of fairly recent origin in India. Till the early 90's traditional model of banking i.e. branch based banking was prevalent, but after that non-branch banking services were started.

The credit of launching internet banking in India goes to ICICI Bank. Citibank and HDFC Bank followed with internet banking services in 1999. The Government of India enacted the IT Act, 2000 with effect from October 17, 2000 which provided legal recognition to electronic transactions and other means of electronic commerce. The Reserve Bank is monitoring and reviewing the legal and other requirements of e-banking on a continuous basis to ensure that e-banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability. According to report of RBI in Jan 2016, there are 196079 ATM and 1337310 point of sale devices in India. To cope with the pressure of growing competition, Indian commercial banks have adopted several initiatives and e-banking is one of them. To sustain in the growing competition, commercial banks in India have adopted several initiatives to improve banking services and to gain competitive advantage.

A number of Indian banks have implemented Online Tax Accounting System (OLTAS) for collection of taxes on behalf of Central Board of Direct Taxes, Government of India. ICICI bank launched 24x7 electronic branches, which is a one-stop shop for all banking transactions. It offers facilities such as cheque deposit machine and an electronic kiosk through which customers can be accessed internet banking services. ICICI Bank has also introduced E-Locker for its customers. It is a virtual locker, which can be accessed through ICICI internet banking which facilitates customer to store soft copy of their important documents safely such as legal documents, agreements, policies and various important certificates. ICICI bank is offering various gifts to customers for start to use internet banking for the first time. The banks are making their presence on social media like Facebook and Twitter for targeting huge customer base as well as potential customers; there will be round-the-clock tweets and comments on the bank's products and services. After launching accounts on Facebook and Youtube, SBI took one more step on the social media by launching a twitter handle.

## **CHALLENGES IN ELECTRONIC BANKING**

**Security Risk:** The problem related to the security has become one of the major concerns for banks. A large group of customers refuses to opt for e-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's a big challenge for marketers and

makes consumers satisfied regarding their security concerns, which may further increase the online banking use.

**The Trust Factor:** Trust is the biggest hurdle to online banking for most of the customers. Conventional banking is preferred by the customers because of lack of trust on the online security. They have a perception that online transaction is risky due to which frauds can take place. While using e-banking facilities lot of questions arises in the mind of customers such as: Did 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.

**Customer Awareness:** Awareness among consumers about the e-banking facilities and procedures is still at lower side in Indian scenario. Banks are not able to disseminate proper information about the use, benefits and facility of internet banking. Less awareness of new technologies and their benefits is among one of the most ranked barrier in the development of e-banking.

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

**Strengthening the 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.

Availability of Personnel services: In present times, banks are to provide several services like social banking with financial possibilities, selective up gradation, 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.

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

Non- Performing Assets (NPA): Nonperforming assets are another challenge to the banking sector. Vehicle loans and unsecured loans increases N.P.A. which terms 50% of banks retail portfolio was also hit due to upward movement in interest rates, restrictions on collection practices and soaring real estate prices. So that every bank have to take care about regular repayment of loans.

Competition: The nationalized banks and commercial banks have the competition from foreign and new private sector banks. Competition in 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 manage, 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 man power is to be utilized and result oriented targeted staff will be appointed.

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 return to

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

### **OPPORTUNITIES IN ELECTRONIC 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, video 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.

**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 encash this opportunity to attract more internet users to adopt internet banking services.

**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

## **.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.

## **LIMITATION AND FUTURE DIRECTION**

This article present review of research papers assessing the research methodologies as well as aspects covered by researchers in adoption and utilization of electronic banking worldwide but it was less explored in Indian context. However it should be more focussed on emerging economies like Brazil, Russia, India, China, South Korea, Mexico, Indonesia, Turkey, Saudi Arabia, Iran etc. It was found that customers perspectives regarding electronic banking was mostly studied by many researchers though very limited researches were covering bankers' perspective as in many ways both are equally beneficial with the adoption of e-banking and to maintain a balance between service provider and service seeker it is important to study both the aspects. An important delimitation of the paper is that the literature analysis was limited to internet banking and there is much beyond internet banking in purview of study. With

globalization and changing economic dynamics, today is the era where banks are not only focussing on domestic market as well as international market with variety of services. The scope of the present study could be expanded in the future to include both bankers as well as customers' perspectives regarding the adoption and utilization of electronic banking. It should focus more on various banking channels which are not studied so far. Banks services are expanding day by day with latest new and advanced services which should be targeted.

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