

THE IMPLICATION OF ELECTRONIC BANKING ON INDIAN BANKING SECTOR

UNDER THE GUIDANCE DR. CHHAVI PRAKASH MAHTO

SUBMITTED BY RISHABH TIWARI

SOB, Galgotias University

Abstract

Currently, India is the nation that is developing at the quickest rate in the globe, and since the demonetization of the country in 2016, there has been a spike in the e-banking industry of India. In the modern, digitalized world, electronic banking has become an essential component. The purpose of this study was to collect data regarding the history of electronic banking in India, analyze the current state of electronic banking in India through the use of surveys, and attempt to forecast the future of the electronic banking industry in India. In this study, we investigated seven distinct aspects that are associated with electronic banking in India. Alternative methods of conducting business Quantity of users Innovative technological developments in online banking the sum of all funds sent through electronic banking Policies of the government Educating the general audience about the various services that are provided via online banking In order to obtain the necessary information, we first carried out a survey in the city of Pune and its surrounding areas. Subsequently, we examined the data and attempted to make predictions regarding the future. Throughout the survey, we inquired about a variety of topics, including the respondents' preferred banking method and the number of transactions they completed on a weekly basis. After that, we put the information that we had gathered from the survey and the RBI through an analysis, and based on the findings of that study, we attempted to make a prediction about the future in two stages.

Keywords:- Implication , Electronic, Banking, Sector, India

INTRODUCTION:

There has never been a period when financial institutions weren't ahead of the curve when it came to using technology to improve their offerings and overall efficiency. They have been providing a wide range of value-added products and services through the use of electronic and communications networks for quite some time. Delivery channels include a wide variety of online infrastructures, including private and public networks, direct dial-up connections, and others. The information is provided via a variety of devices, including but not limited to telephones, personal computers, and automated teller machines. Banks are increasingly relying on the Internet as a means of communicating with clients and delivering services and goods. This is because of the World Wide Web (www), the ubiquitous PCs, and the simplicity with which

one can access the Internet. The most popular way to describe this kind of banking is "online banking," even if the wide range of goods and services offered by different banks differs substantially in terms of complexity and content. A wide range of financial services are available on the internet, and they can be broadly classified into three main types: (i) The websites of financial institutions are considered Basic Level Service since they are in charge of spreading information about the many products and services offered to customers and the public at large. You can reach it via e-mail, and it can answer your questions. (ii) Following this level are Simple Transactional Websites, which let users submit requests for different services, check their account balances, and do similar things; however, they do not give permission for any money-based transactions to be done on their accounts. At the third tier, Fully Transactional Websites offer online banking services. Through these online platforms, customers are able to manage their bank accounts and do a wide range of transactions, such as transferring money, paying bills, subscribing to additional services, and trading stocks. The aforementioned forms of online banking are an additional service that customers of traditional financial institutions can take use of. However, new financial institutions mainly offer banking services through electronic delivery channels, such as the Internet, as a value-added service. Despite offering a wide range of banking services, some of these organizations may not have a physical presence in any country. These banks are sometimes called "virtual" or "Internet only" banks. Simply said, internet banking is the delivery of conventional financial services using the World Wide Web as a means of electronic communication. This is the premise upon which online banking services and products are offered. However, worldwide regulators are paying attention to this emerging channel since it has raised concerns with far-reaching consequences, beyond what a new distribution channel would typically expect. It removes the traditional geographical limitations by catering to customers in a number of different countries and legal jurisdictions. Because of this, many have started talking about what kind of legal framework or jurisdiction should govern deals like these. This has added a new dimension to the myriad of risks traditionally associated with banking, making some of those risks more severe and creating new challenges for risk management.

Since the Internet is a public domain that cannot be regulated by any single entity, concerns regarding the safety of financial transactions, the legality of electronic contracts, and consumers' personal information have taken on new dimensions. If banks don't adapt quickly enough to this new technology, which allows them to provide banking services more efficiently and at a lower cost, they risk losing business. • Both established players in the industry and non-banking competitors have formed a new type of competition. The previously mentioned qualities mostly contribute to worries regarding the compliance of online banking with regulations and supervisors. These concerns can be grouped into three main areas: (i) matters related to compliance with laws and regulations; (ii) matters concerning technology and security; and (iii) matters

concerning supervision and operations. Questions of legal jurisdiction, the enforceability of electronic contracts (with a focus on repudiation), and the deficiencies in the regulatory framework for online trade are all on the table. When deciding which jurisdiction to apply, one must consider whether the law of the place where the Internet connection was established or the law of the place where the transaction was ultimately finalized should take precedence. This begs the linked question of who ought to pay taxes on this sum and from what source should the funds be drawn. No final resolutions have been reached regarding these matters as of yet. Among the most pressing issues, the security of internet financial transactions is a growing worry for authorities. There are a number of security issues that must be resolved, including the adoption of globally recognized, state-of-the-art minimum technical standards for various aspects of encryption and decryption, firewalls, digital signature verification, Public Key Infrastructure (PKI), and other related topics. The regulatory authority shares the banking industry's concerns about security policy and security awareness and education.

Implementing a warning system, conducting an audit of information technology, re-engineering operational methods, and risk control measures are all matters of concern about operations and supervision. Not only that, but the regulator would be concerned about whether the offered goods and services fall inside the regulatory framework and if the transactions are covering up money-laundering.

Perhaps the Central Bank is worried about how online banking will influence its current monetary and credit policies. Perhaps the Internet will have little impact on monetary policy if its primary use is to facilitate regular payment transactions and the supply of financial services. But when private sector efforts create digital currencies, account-based cards, and electronic checks, the monetary system is certain to feel the effects. None of the countries that have implemented widespread online banking have seen its impact on monetary policy as significant as it may have been. Such worries are not being addressed in Noida just yet because online banking is in its early stages.

Global regulators and central bankers have been meeting to address the new challenges brought forth by this type of banking. A number of studies have found that when compared to more traditional means, paying for financial service delivery via the Internet is substantially cheaper. Just this alone should be enough to get banks and other financial institutions to jump on the bandwagon and offer more and more services online as soon as they can. The danger of falling behind the competition awaits financial institutions that delay their adoption of this new technology. For regulators, the fundamental concern in this kind of situation has been making sure that banks are efficient and cost-effective without ignoring the dangers involved or failing to have the necessary safeguards, machinery, and systems to deal with new threats. Financial institutions must ensure that their systems are regularly upgraded to accommodate new technologies that have been

thoroughly assessed; simply having systems in place is not enough. This test is far more challenging. The second component is the establishment of a regulatory framework that encourages and facilitates the orderly development of this type of banking.

LITERATURE REVIEW

Between 2000 and 2007, UPPAL R.K. (2010) looked into the Noida banking market's mobile banking options. The study indicates that among all electronic channels, automated teller machines (ATMs) are the most efficient. On the other hand, mobile banking is not widely used in public or old private sectors, but it is highly regarded in new private sector banks and international banks. The availability of mobile banking services at over 50% of typical branches makes it a satisfactory option. Development has added to the growing list of customer-related issues, which already exists as a result of globalization and liberalization in motion. Several nations' political, economic, and social goals now center on consumer protection. The idea of electronic banking came from a blending of conventional banking services with new information technology. Reducing operational expenditures and increasing gross income are two of the most important elements contributing to the expansion of online banking services. Because customers can take care of most of their banking needs online, banks can save money on transaction fees and staff by processing fewer transactions. Uniamikogbo et al. (2020) cite research on e-banking that was published between 1999 and 2006 as saying that banks will be able to boost their profitability through the growth of their assets, the decrease of operational costs, and the creation of portfolios when they use e-banking. Virtual banking was touted by Ketema (2020) in the 1990s as a new route for service distribution that would benefit clients and banks alike. Thus, online banking would be win-win for everyone involved. Customers would choose e-banking, say Gomez et al. (2021), due to the ease of using specialist e-banking technologies such as e-bill and e-transfer apps. Online banking would see an increase in clients as a result of this. Based on their research, they have concluded that China is unaware of these services for a number of reasons, such as security concerns, foreign threats, insufficient computer capabilities, and the country's long-standing practice of cash-based banking. The many advantages experienced by both the company and the client can be attributed to the rise in popularity of online banking. Internet banking remains one of the most reliable and cost-effective distribution networks, and both are strongly related to the reduction of expenses experienced by banks. Competition is another reason for introducing such platforms; online banking has become a fascinating way to keep existing clients and attract new ones. The list of advantages for banks is long and includes things like reduced entry prices, more effective advertising, and mass customisation. Just as the program's versatility provides for time savings and makes the service available internationally, end-user benefits are broad and include, among other things, increased routine account management, decreased

delivery costs, and improved overall performance. On the flip side, remember that some clients are still hesitant to use online banking due to trust issues. Findings show that speed, convenience of remote access, availability at all times, and price incentives are the main draws of online banking. The versatility of the solutions offered is one of the reasons why internet banking is gaining traction in the market. Internet banking, ATMs, and mobile banking are all essentially the same thing in the eyes of some. The viewpoints of Finns who use online banking were studied by Haq and Awan (2020). Their research shows that familiarity helps with comprehension. They look at the ways Europeans use internet banking and find that there are a lot of different commodities and financial resources available. Many things affect how often consumers use online banking, but two of the most important are consumers' expectations for the future of the financial industry and their faith in the reliability of online banking. shows that multiple factors, such as internet access, electronic banking, and changing opposition, impact Malaysians' usage of internet banking. One more thing that helps customers use online banking is the vendor service. Good behavior and maintaining a safe distance from others have been crucial in containing the COVID-19 outbreak. This is due to the fact that no prophylactic measures, such as vaccines or medicines, are now accessible. Contactless payment technology is a safe and convenient option for consumers who want to meet their daily needs without sacrificing security. Financial institutions can deepen and broaden their customer ties by facilitating online banking transactions. When it comes to banking, time and place are no longer constraints. Customers can access their accounts at any time, day or night, no matter where they are in the globe.

OBJECTIVES OF THE STUDY:-

- Here are the main objectives of the study: • Inquire into the level of knowledge that respondents possess about online banking.
- In order to learn how often people use online banking and what variables contribute to that trend, we need to collect data.
- So that we may find out how happy people are.
- To learn about the difficulties respondents faced while using various forms of electronic banking (e.g., ATMs, phone banking, etc.).

RESEARCH METHODOLOGY:-

Materials are examined in what is commonly known as "research," which refers to human undertakings based on intellectual application. Discovering, analyzing, and developing techniques and systems to increase human understanding on a wide variety of earth and space science subjects are the fundamental goals of applied research. To better comprehend the world, we are conducting this research.

A second definition of "research" is an exhaustive collection of data relevant to the topic of inquiry. The "methodology" of a study is its approach to data collection. The report's production is based on this method, which involves substantial research. This document lays out the approach for carrying out the research. Many different fields and ways of thinking are included in research methodologies. It provides an explanation of why a specific strategy was chosen within the study's framework and covers not just the research methodologies but also the reasoning behind those methods. To better determine which strategies to use and which to discard when confronted with a given problem, it is useful to be aware of the assumptions upon which each strategy is based. In order to find a solution, it is crucial to create a research methodology that is unique to the problem since the procedure could vary from one research topic to another.

The project's purpose was achieved through the use of descriptive and exploratory research approaches. A large number of primary and secondary sources were consulted in order to acquire the necessary material for the study.

Type of research:

The purpose of this research is mostly descriptive and exploratory. It highlights the importance of finding fresh ideas and insights and helps to break down large, general problems into smaller, more specific ones. In the beginning, while the problem was still vague, exploratory research helped narrow it down to a more manageable level. Over time, it has reduced the breadth of study subjects.

Research design

The design of the research serves as the blueprint for the data collecting, measurement, and analysis components of the study. Within the service class, the purpose of this study is to determine the extent to which individuals prefer electronic banking over traditional banking processes. An exploratory approach was taken in the design of the investigation. The investigation was carried out on individuals who belong to the service class. A convenient sampling approach was chosen for the selection of the sample, and an effort was made to include individuals from all age groups and genders who were a part of the service class.

Sources of data

Following are the methods of sources of data

Secondary data

- Articles on electronic banking that were removed from periodicals and magazines that were published at various times.

- By means of the internet.

Primary data

For the purpose of gathering primary data from respondents, a questionnaire was utilized. The questionnaire was structured type and contained questions relating to different dimensions of e-banking preferences among service class such as level of usage, factors influencing the usage of e-banking services, benefits accruing to the users of e-banking services, problems encountered. Additionally, an effort was made to discover the causes behind its lack of utilization. There were open-ended questions, dichotomous questions, and questions that offered multiple choices that were included in the questionnaire.

Sampling technique: When making a decision, the CONVENIENCE sampling technique is applied.

Sampling unit

It solves the question of who is going to be surveyed by defining the target population out of which a sample will be taken. The people who are members of the service class are the unit of sampling for this study.

Sampling size:

This reflects the total number of individuals who will be surveyed. Despite the fact that big samples produce more trustworthy results than small samples, the sample size was limited to one hundred responders because of time and financial constraints. There are a variety of professions and economic brackets represented among the responders.

Response Rate

There were only 174 responders that provided me with a response out of the 200 samples that were selected. 87% of people responded to the survey.

Method of data collection

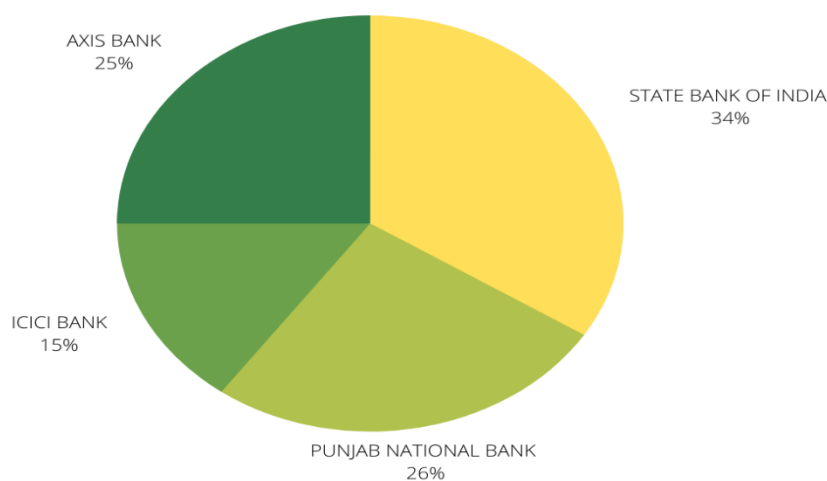
For the purpose of data collection, the survey approach is utilized. A number of different locations that were visited for the aim of collection

DATA ANALYSIS AND INTERPRETATION

Table 1,

In which banks do you have your account?

(a) State Bank Of Noida	34%
(b) Punjab National Bank	26%
(c) ICICI BaNK	15%
(d) AXIS Bank	25%

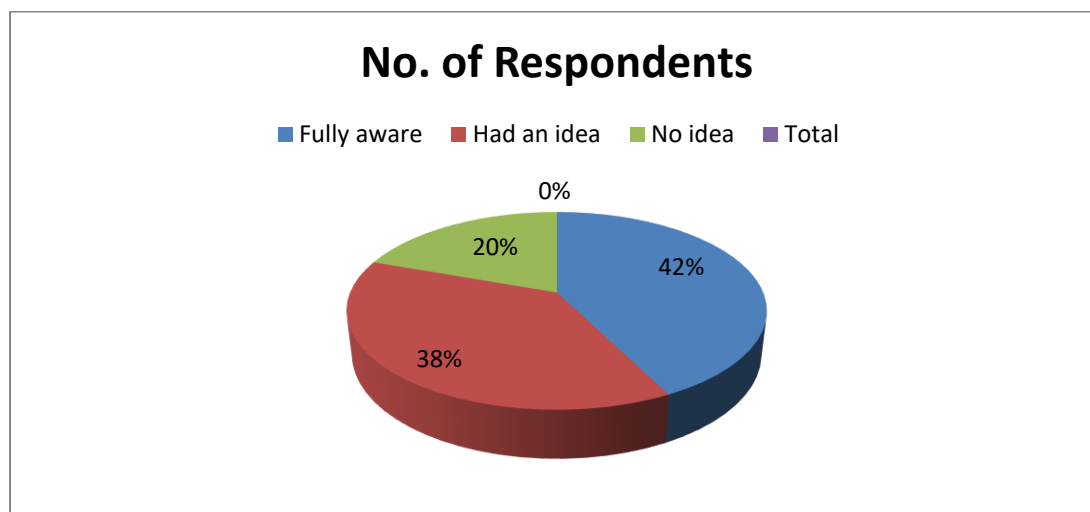


INTERPRETATION:- STATE BANK OF INDIA makes up 34% of the customer base, whereas PNB accounts for 26% of the customer base. ICICI BANK is 15%, and AXIS BANK provides 25%.

➤ Table 2

Awareness of people regarding e-banking service provided by the bank while opening an |

	No. of Respondents	Percentage
Fully aware	37	42.53%
Had an idea	33	37.93%
No idea	17	19.54%
Total	87	100%



Interpretation

Table 2 shows that when customers create an account with a bank, 38% of those customers are in the service class and fully understand all of the bank's online banking options. Only 20% of the population is aware that their bank offers e-banking services, while 42% have a vague notion of what it is. Assuming no changes, we can now assume that 85 percent of people are aware that online banking is an option.

LIMITATIONS OF THE STUDY:

Every single piece of study is carried out with certain limitations, and this particular research is not an exception. The following are some of the limitations of this study:-

- In addition, there were a number of time constraints. Only those who belong to the service class are included in the scope of the study.
- Because the sample size of only one hundred was taken from a big population for the purpose of the study, there is a possibility that the results of the sample and the entire population will differ from one another.
- Only those who belong to the service class are included in the study. Individuals were hesitant to provide specifics due to the fact that they had a lot going on in their lives. It is possible that the information that is being sought cannot always be obtained by merely asking questions and recording responses.
- Due to the fact that the environment is constantly shifting, anything that is pertinent now might not be relevant tomorrow.

CONCLUSION:

It is anticipated that the service class will show a greater propensity to use electronic banking. At the moment, the service class is not making full use of the services because of a variety of circumstances that are causing them to be hurried, such as insecurity and fear of hidden fees, among other things.

• Therefore, financial institutions ought to take action to alleviate the concerns of their clients by launching awareness campaigns and implementing marketing that are more significant in order to make electronic banking more popular among people of all ages and income levels. In addition, in order to maintain their competitive edge, financial institutions are required to continually consider new and inventive ways to provide individualized services. Electronic banking is a cutting-edge instrument that is rapidly becoming an absolute requirement. It is an effective strategic weapon that banks can use to maintain their profitability in today's economy, which is an extremely turbulent and competitive environment. • Due to the availability of technology that ensures the safety and privacy of electronic transactions and the laws established by the Reserve Bank of India (RBI) regarding various aspects of online banking, internet banking in Noida is likely to undergo great expansion in the future.

Reference:

- Financial Express (News Paper).
- Financial Services Regulatory Report – www.mayerbrown.com
- Bank for International Settlements-
- Journal of Internet Banking and Commerce
- E-Commerce