



**TRENDS & CHALLENGES OF E-BANKING SERVICE OF PRIVATE BANKS
IN INDIA**

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Abstract:

The purpose of this paper is to identify the key factors which influence the E-Banking services trends and challenges faced. Data was collected through a structured questionnaire through personal interview method, 200 samples were collected from the respondents who had private bank accounts for a minimum period of 3 years. Services of e-banking rendered to customers, trends of e-banking products and services and challenges of the E-Banking services where banks analyzed of private. The respondent's opinion suggested that the majority of the customer rated high for basic banking services such as ATM cash withdrawal, debit card operations, mobile banking for transactions and net banking transactions. The study subject's government should improve the regulatory framework and infrastructural development to promote e-Banking participation and private banks should promote and encourage the customer to open an online account and increase awareness and advantages of e-banking.

Keywords: E-Banking, Regulatory framework, Mobile banking, Private bank.

1. Introduction

Banking services plays a vital role in showing the economic capacity of a country. Recent development in banking industry such as use of technology to widen the customer base has helped not only the bank but also the customer. Technology adoption by the banking sector has increased the business transaction in various folds which was not much earlier. One of the recent innovations in banking is e-banking. Roshan All (2012) analyzed that development of e-banking in banking sector is due to advent of IT. Banking Industry has become more competitive after globalization, liberalization and privatization. In order to be competitive in the industry they have to adopt IT. Indian banking sector has witnessed a drastic changes due to advancement of technology. Upal and Chula (2009) found that the customers of public sector, private sector and foreign banks are interested in e-banking services, but at the same time they are facing problems like inadequate knowledge, poor network, lack of infrastructure, unsuitable location, misuse of ATM cards and difficulty to open an account. Indian customer's perception has been examined by Rete Agawam (2009) and established that people in the age group of 31-45 are the major users of e-

banking. Respondents opined that using e-banking for balance inquiry to be the most useful, closely followed by inter-account transfer of funds and they found e-banking least useful for lodging complaints. Though e-banking services have established in 1990s but it has gained momentum in 2016 after demonetization. People started understanding the importance of technology and its usage in a greater way after demonetization. Nowadays, based on services e-banking services are classified into internet banking, mobile banking, telephonic banking, fax based banking and many more. At present in India there are many public and private banks which have already adopted the culture of e-banking services at bank and customer level. Through India is a fast developing nation when compared to many other developing nation but the acceptance of e-banking services are at its peak while the developed nations are in the stage of "virtual banks" where they have very less physical offices but they exist more online. E-banking has brought various benefits to its stakeholders such as minimal transaction cost and convenient transactions, staying connected with the customer at any time and any place. The adoption of e-banking has made the banks to deliver the information faster to its customers and services providers. E-banking does

not have only positive side but also negatively impacts banks and the customers. E-banking will be a bane when internet criminals misuse the information of a customer for their own benefit, while it also damages the reputation of the bank. Hence in this paper an attempt is made to study the challenges of e-banking services with banks in Bangalore city.

2. Literature review

Unyathanakorn et al. (2014) in their research found that service quality of e-banks are must to obtain customer acceptance on e-banking. Cyber world has become very important in customer daily lives. In traditional banking any financial transactions required to visit banks on a frequent basis but today e-banking services are at their door steps. N.Jamaluddin (2013) in their research concluded that IT is playing a pivotal role in the progress of banking system. To reach out to every Indian and every customer it is possible only through computerization adopted by banking sector. IT has not only made the process simplified but has created comfort to those who know how to use technology. Banking sector in India has seen a tremendous development only because of advancement of information technology. Uppal and Chawla (2009) in their research it was found that customers of

the public, private and foreign banks in Ludhiana district of Punjab are very much interested in the advancement of technology i.e e-banking, but at the same time they are facing huge challenges in using the same due to lack of infrastructure and misuse of ATM's. Indian customers' perception of e-banking has been examined by Reeti Aggarwal (2009) in their research they found that people between the age group of 31-45 years use e-banking services most frequently. They conveyed that most preferred services of e-banking is balance inquiry, inter account transfer & least used service is lodging complaints. Most challenging for the use of e-banking service was non-availability of server. Kamakodi et al. (2008) found that there are huge gap that exist between traditional banking service and technology-based services. In fact technology-based services most welcomed by the customers because of exceeding expectations.

3. Objectives of the study

- a. To analyze the e-banking services offered by the private banks in Bangalore
- b. To examine the major components of e-banking services and their acceptance
- c. To examine the challenges of e-banking services of the bank

4. Hypothesis

H01: Awareness and trends of e-banking services are not increasing significantly

H02: Challenges of e-banking services of private banks are increasing gradually

H03: There is no association between trends of using e-banking products and challenges of e-banking and trends of e-banking do not affect the challenges of e-banking

5. The methodology of the study

Primary data included a structured questionnaire. Secondary data information was gathered from the accessible resources like articles,

journals and websites. Close-ended questions were asked to the respondents direct and five points Likert scale (Eisenberger et al., 1986) 5 strongly agree to 1 strongly disagree.

The sample chosen for the study was from the respondents who had private bank accounts for a minimum period of 3 years. Data was collected through personal interview method and 200 samples were received in the complete form. Stratified random sampling technique is adopted. The sample size was determined by recommendations Hankins (1995) has recommended an item response ratio of 1: 6.

6. Empirical analysis and results

**Table -1
Demographic profile of respondents**

Variable	Category	Frequency	Percentage
Gender	Male	156	78%
	Female	44	22%
Age (In Years)	20-25	52	26%
	26-30	38	19%
	31-35	41	20.5%
	36-40	22	11%
	> 40	47	23.5%
Marital status	Married	123	61.5%
	Unmarried	77	38.5%
Education qualification	Below graduate	42	21%
	Graduate	93	46.5%
	Post graduate	65	32.5%
Occupation	Govt employee	63	31.5%
	Pvt employee	49	24.5%
	Self employed	56	28%
	Others	32	16%

Sources: Complied on the basis of survey by the author

Table -2
Services of e-banking rendered to customers

Sl.No	Products	Yes	No	Percentage
1	Debit card	156	44	78
2	Credit card	126	74	63
3	Prepaid cards	103	97	51.5
4	Smart cards	89	111	44.5
5	Mobile and Internet banking	165	35	82.5
6	Electronic fund transfer	158	42	79
7	Any branch banking/online banking	137	63	68.5
8	Prepaid mobile recharge	148	52	74
9	Link bank account to ATM	128	72	64
10	Use of debit card online	138	62	69
11	SWIFT	00	200	00

Sources: Complied on the basis of survey by the author

Table -3
Trends of e-banking products and services

Sl.No	Trends o e-banking products & services	Mean	SD	Rank
1	Withdrawal of cash from ATM	4.71	0.68	1
2	Facilities of Q-cash	3.18	1.36	9
3	Use of mobile banking for transaction	4.21	0.58	4
4	Use of internet banking for transaction	3.82	1.35	5
5	Use of online banking for transaction	3.75	1.46	6
6	Use of travelers cheques	2.92	1.24	10
7	Debit card operations	4.68	0.49	2
8	Credit card operations	4.65	0.62	3
9	Use of NEFT	3.65	1.38	7
10	Use of RTGS	3.58	1.43	8

Sources: Complied on the basis of survey by the author

Table -4
Challenges of e-banking services

Sl.No	Challenges of e-banking services	Mean	SD
1	Response of internet connection is very slow	3.63	1.06
2	Break down of internet connection	3.58	0.85

3	Lack of IT infrastructure	3.34	1.24
4	Poor customer knowledge on e-banking and IT	4.02	0.92
5	Lack of knowledge of bank employees on IT	2.89	1.07
6	Software trouble	3.19	1.06
7	E-banking service charges	2.84	1.12
8	Hidden cost of e-banking	2.58	1.10
9	Security breach fear among customers	3.05	1.03
10	Problems from cash counting machine	2.65	1.12
11	Theft/lost of electronic card	2.85	1.07
12	Delay in issuing electronic card	2.69	0.94
13	Credit card payment is too difficult	2.52	0.93

Sources: Compiled on the basis of survey by the author

H0₁: Awareness and trends of e-banking services are not increasing significantly

Table-5
ANOVA Analysis

ANOVA					
Source of variation	SS	df	MS	F	P-value
Row	268.51	76	3.53	3.93	2.51E-22
Columns	249.66	8	27.94	30.52	8.63E-45
Error	607.61	672	0.914		
Total	1125.78	756			

Sources: Computed using Microsoft office excel 2003

- a. The above table shows, the calculated value of $F=3.93$ is greater than the table value of $F=1.3068$ which indicates that the null hypothesis is rejected. Thus it is evident that at 5% level of significance the awareness and trends of e-banking services are increasingly and it is statistically significant.

H0₂: Challenges of e-banking services of private banks are increasing gradually

Table-6
ANOVA Analysis

ANOVA					
Source of variation	SS	df	MS	F	P-value
Row	495.2	79	6.69	8.854	1.38E-69
Columns	228.6	15	16.4	21.034	1.93E-48
Error	779.2	1039	0.769		

Total	1503	1133			
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Sources: Computed using Microsoft office excel 2003

b. The above table shows, the calculated value of $F=8.854$ is greater than the table value of $F=1.286$ which indicates that the null hypothesis is rejected. Thus it is evident that at 5% level of significance the challenges in e-

banking services of private banks are not increasing gradually.

H03: There is no association between trends of using e-banking products and challenges of e-banking and trends of e-banking do not affect the challenges of e-banking

Table-7
Chi-square calculation

(O)	(E)	(O-E)	(O-E) ²	(O-E) ² /E
554	221	333	110889	501.760
355	368	-13	169	0.4592
126	221	-95	9025	40.837
72	138	-66	4356	31.56
79	81	-2	4	0.04938
142	246	-104	10816	43.9674
437	428	9	81	0.1892
344	239	105	11025	46.1297
392	281	111	12321	43.8469
193	194	-1	1	0.00515

Sources: Computed using Excel-2003

c. The above table shows, that in the hypothesis the $df, v = \{(r-1)(c-1)\} = \{(2-1)(5-1)\} = 4$, at 5% level of significance the table value is X^2 is 9.56 and the calculated value is 708.80. Hence we can reject null hypothesis and conclude that there exists association between trends of using e-banking products and challenges of e-banking and trends of e-banking.

Findings of the study

- d. Most of the customers depend on debit card, mobile and internet banking for transactions purpose which indicates that customer is aware and responds to the technological changes happening in the banking sector
- e. Second most common e-banking products which is preferred by the respondents is electronic fund

- transfer, prepaid mobile recharge and link bank account to ATM which is making the respondent meet their transaction very easily
- f. Smart card and SWIFT is not at all gaining momentum which shows that banks should awareness to promote these products
 - g. E-banking is a convenient, affordable and it cost is very less when it is compared to traditional banking when is acknowledged by the respondents
 - h. Private banks have huge challenge in rendering service to customer because customer are aware about the e-banking products constant development is expected out of the e-banking products
 - i. Staff should be equipped with lot of IT knowledge because it is the staff who makes the products successful or failure any enquiry by the customer about the e-banking products should be immediately attended
 - j. Lack of awareness about the e-banking facility is making e-banking products failure in private banks (make a para summary please)

IMPLICATIONS

According to Hanniya Abid and Umara Noreen (2006),

Deshmukh, Sujata P et al.,(2013), Nakul Parameswar et al., (2017), among the reasons for not adopting online banking lack of trust and security risk was a significant factor. The respondents opinion suggest that majority of the customer rate basic banking services as their most priority factors like ATM cash withdrawal, debit card operations, mobile banking for transactions and net banking transactions. Banking industry should make necessary efforts to create awareness of technology and E-Banking services among the customers because awareness among the customer regarding the procedure of e-banking services is very low in India. Government of India should improve the regulatory framework and infrastructural development by the government to promote E-Banking participation. Private banks should also encourage consumer to open online account come mobile banking accounts and create e banking infrastructure to support across any branches in the country without just allocating one local branch to a user. Bank should identify the customer's means and improve the products and services

to achieve long-term customer relations, does helping to create new product line according to customer needs to make existing products more attractive. Implementation of online electronic /technologies by Pravite banks are at very early stages. The early adopters Gain strong customer base and customer loyalty. Even though the online banking is predominant in urban society when compared to rural part of India, There is a very high potential and scope.it is about the time that the government banks and consumer realize that without adaptation of a new emerging technologies such as e- banking system they will be lag behind us pointed out by Aunty Grove

"You have no choice but to operate in the world shaped by globalization and the information revolution. There are two options: adapt or die."-Aunty Grove, chairman, Intel.

Conclusion

Technology is the key to be competitive in the industry today; financial institution should constantly work on improving technology in order meet the customer

requirement. Most of the educated lot use modern technology based banking facilities because they have no time to visit bank physically. E-banking is a convenient, affordable and it cost is very less when it is compared to traditional banking hence efforts should be made by the banks and financial institution in order to meet the customer requirement and make changes in technology. Banks should make awareness campaign to promote any new e-banking products are introduced because majority of the customer do not aware of the benefits of those products. Government should build strong regulatory framework and infrastructural development to promote E-Banking participation, Banks should also make efforts to create separate technology cell in order to respond to the requirement of customer changing needs.

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