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E-Banking - Opportunities and Problems an Overview

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ABSTRACT

E-banking, which stands for electronic banking, is a broad category of financial services that gives us the option to transfer money using electronic signals rather than cash, cheques, or any other kind of paper documents. Banking finances and money administration are getting more and more electronic due to the incredibly fast development of technology. E-banking has the potential to completely transform the banking sector because it significantly lowers transaction and delivery costs. Developing countries with low information and telecommunications technology penetration have several difficulties in utilizing e-banking services. In the digital age, India and its people are going through enormous changes. People now have many possibilities for empowerment because of technology, which allows the field to never stop developing. Traditional methods and procedures have long been used in India to govern the banking industry. One of the important foundations of any economy is thought to be the banking sector. However, according to a recent study, E-Banking is now more advanced in several countries including India.

Key Words: E-Banking, Technological revolution, Opportunities, Challenges, Traditional Banking.

1 Introduction:

Consumers who engage in e-banking use the Internet to log into their bank accounts and carry out financial transactions. Internet banking can simply refer to a bank developing a web to provide details about its products and services. At a higher level, it involves the provision of services including online account access, money transfers, and purchases of financial services and products.

2 Definition of Electronic Banking:

The procedure through which a customer can conduct banking transactions electronically without going to a physical location is referred to as electronic banking. Personal computer (PC) banking, Internet banking, virtual banking, online banking, home banking, remote electronic banking, and phone banking are all words that refer to one type of electronic banking or another. The most popular terms are PC banking and Internet or online banking. Digital banking does provide various benefits to the sector as a whole, such as simpler and more convenient consumer transactions. However, digital banking presents its own set of issues for financial institutions, such as increased

cyber security risk and a greater demand for dependable, "always-on" IT systems. To successfully execute a digital transformation, banks must carefully assess all of the difficulties and opportunities.

3 History of Electronic Banking:

The history of electronic banking, also known as online banking or e-banking, can be traced back to the mid-20th century. It has evolved significantly over the years, driven by advancements in technology and changes in consumer behavior. Here is a brief overview of the history of electronic banking:

- I. 1960s - The Birth of Electronic Funds Transfer (EFT):
 - ❖ In the 1960s, the concept of electronic banking began to take shape with the introduction of Electronic Funds Transfer (EFT) systems. These early systems allowed banks to exchange financial information electronically.
- II. 1970s - The Introduction of Automated Teller Machines (ATMs):
 - ❖ In 1967, the first ATM was installed by Barclays Bank in

London. However, it wasn't until the 1970s that ATMs started to gain widespread adoption. ATMs allowed customers to withdraw cash, check their account balances, and perform basic banking transactions outside of bank branches.

III. 1980s - Telephone Banking and Home Banking:

- ❖ The 1980s saw the emergence of telephone banking, which allowed customers to access their accounts and perform transactions over the phone. Some banks also introduced home banking services that used personal computers to access accounts.

IV. 1990s - The Internet Revolutionizes Banking:

- ❖ The 1990s marked a significant milestone in the history of electronic banking with the advent of the World Wide Web. Online banking services began to emerge, enabling customers to access their accounts, view transaction history, transfer funds, and pay bills via the internet.

V. 2000s - Mobile Banking Takes Off:

- ❖ With the proliferation of mobile devices and smartphones, mobile banking gained popularity in the 2000s. Customers could now perform banking transactions using dedicated banking apps or mobile web browsers

VI. 2010s - Fintech Disruption:

- ❖ The 2010s saw the rise of fintech startups that offered innovative, technology-driven banking services. These fintech companies introduced features like peer-to-peer payments, digital wallets, and robo-advisors, challenging traditional banks to adapt to changing consumer preferences.

VII. 2020s - Digital Transformation and Open Banking:

- ❖ The 2020s continued the trend of digital transformation in the banking industry. Many banks embraced open banking initiatives, allowing third-party developers to create applications and services that could access bank data securely, leading to

increased competition and innovation in the financial sector.

Throughout this history, electronic banking has become an integral part of the financial landscape, offering convenience and accessibility to customers while also posing new challenges related to cybersecurity and data privacy. As technology continues to advance, electronic banking is likely to evolve further, with innovations such as blockchain-based banking and digital currencies playing a role in shaping its future.

4 Difference between Traditional Banking and E-Banking:

Traditional banking and e-banking (electronic banking) represent two distinct approaches to providing financial services. Here are the key differences between the two:

I Accessibility and Convenience:

- ❖ **Traditional Banking:** Traditional banking involves physical branches where customers need to visit in person during specific operating hours to conduct transactions, open accounts, and seek assistance.
- ❖ **E-Banking:** E-banking offers 24/7 access to banking services

through digital platforms such as websites and mobile apps. Customers can perform transactions, manage accounts, and access services from anywhere with an internet connection.

II Transaction Channels:

- ❖ **Traditional Banking:** Transactions are conducted face-to-face with bank staff, involving paperwork and manual processing.
- ❖ **E-Banking:** Transactions are conducted electronically using online platforms, reducing the need for physical interaction and paperwork

III Services Offered:

- ❖ **Traditional Banking:** Traditional banks offer a wide range of services, including basic savings and checking accounts, loans, mortgages, and investment advice.
- ❖ **E-Banking:** E-banking often includes the same services as traditional banking, but it also includes online-only services like digital wallets, peer-to-peer

payments, robo-advisors, and online investment platforms.

IV Communication:

❖ **Traditional Banking:**

Communication with the bank often requires visiting a branch or calling customer service.

- ❖ **E-Banking:** Customer communication occurs through online chat, email, or phone support, providing quicker responses and reducing the need for physical visits.

V Physical Presence:

- ❖ **Traditional Banking:** Physical branches are a central aspect of traditional banking, where customers can access services and interact with bank staff.
- ❖ **E-Banking:** E-banking operates without the need for physical branches, though some banks might still maintain a limited number of branches for specific services.

VI Transaction Time:

- ❖ **Traditional Banking:** Transactions might take longer

due to manual processing and the need for physical presence.

- ❖ **E-Banking:** Transactions are typically faster, especially for routine tasks like fund transfers and bill payments.

VII Overhead Costs:

❖ **Traditional Banking:**

Traditional banks have higher overhead costs due to maintaining physical branches and staffing requirements.

- ❖ **E-Banking:** E-banking tends to have lower overhead costs since there's no need for extensive physical infrastructure.

VIII Personalization:

- ❖ **Traditional Banking:** In-person interactions allow for more personalized service and face-to-face consultations.

- ❖ **E-Banking:** Personalization is often achieved through data analysis and online interactions, though it might differ in nature compared to in-person interactions.

IX Security and Trust:

- ❖ **Traditional Banking:**

Traditional banks establish trust through physical presence and interactions.

- ❖ **E-Banking:** E-banking platforms use various security measures, such as encryption and authentication, to establish trust in online transactions.

X . Innovation:

- ❖ **Traditional Banking:** Innovation might be slower due to legacy systems and processes.
- ❖ **E-Banking:** E-banking often embraces technological innovations more readily, leading to the introduction of new services and features.

Overall, while traditional banking offers a longstanding approach with a focus on personal interactions, e-banking leverages technology to provide convenient and accessible services. The choice between the two often depends on individual preferences, technological literacy, and the specific financial needs of customers.

Current State Of E-Banking In India

- ❖ **Digital Payment Growth:** India has seen significant growth in

digital payments and e-banking services. The government's push for a cashless economy through initiatives like demonetization in 2016 and the Unified Payments Interface (UPI) has driven the adoption of digital payment methods.

- ❖ **Unified Payments Interface (UPI):** UPI has become a widely used platform for peer-to-peer and peer-to-merchant transactions. Various banks and financial institutions have developed UPI apps and integrated UPI into their existing mobile banking apps, making it convenient for users to transfer money and make payments.
- ❖ **Mobile Banking:** Mobile banking apps offered by banks have become more user-friendly and feature-rich. Customers can perform a wide range of transactions, including fund transfers, bill payments, and investment management, using their smartphones.
- ❖ **Online Account Opening:** Many banks now offer the option to open a bank account entirely online, reducing the need for physical branch visits. Customers can submit their KYC (Know

Your Customer) documents digitally for account verification.

- ❖ **Digital Wallets:** Digital wallets like Paytm, PhonePe, Google Pay, and others have gained popularity for everyday transactions, including mobile recharges, bill payments, and even small-scale merchant transactions.
- ❖ **Online Investments:** E-banking services have also expanded into investment platforms, allowing users to invest in mutual funds, stocks, and other financial instruments through online platforms.
- ❖ **Cybersecurity:** With the growth of e-banking, cybersecurity has become a significant concern. Banks and financial institutions have been working to enhance security measures to protect customers' financial data and transactions.
- ❖ **Regulations:** The Reserve Bank of India (RBI) regularly updates its regulations to ensure the safety and security of digital banking transactions. These regulations aim to prevent fraud and protect consumers' interests.
- ❖ **Financial Inclusion:** E-banking has played a role in increasing

financial inclusion in India, bringing banking services to remote and underserved areas through digital channels.

- ❖ **Challenges:** Despite the growth, challenges such as digital literacy, connectivity issues in rural areas, and concerns about data privacy and security still exist and need to be addressed.

Advantages Of Digital Banking

E-banking, or electronic banking, offers numerous advantages to both customers and financial institutions. Here are some key advantages of e-banking:

- ❖ Customers can access their accounts and execute transactions whenever and wherever they have an internet connection with e-banking. This eliminates the need to visit physical banks and allows for banking activity to take place outside of normal business hours
- ❖ E-banking overcomes geographical barriers, enabling customers to access their accounts and services regardless of their location. This is particularly beneficial for travelers and individuals living in remote area
- ❖ Transactions conducted through e-banking are typically faster than

- traditional methods. Money transfers, bill payments, and other financial tasks can be completed within minutes, reducing waiting times
- ❖ Since there is less need to maintain a significant physical infrastructure and employees, e-banking frequently has lower fees than traditional banking
 - ❖ E-banking greatly decreases the need for paper-based transactions and documentation, which has a positive impact on the environment and simplifies record-keeping
 - ❖ Customers can access real-time information about their account balances, transactions, and statements, allowing for better financial management and decision-making
 - ❖ E-banking platforms implement strong security measures such as encryption, multi-factor authentication, and biometric verification, which can make online transactions more secure than traditional methods
 - ❖ E-banking platforms offer various automated services, such as scheduled bill payments, recurring transfers, and automatic investment contributions, saving customers time and effort.
 - ❖ Customers can access a variety of information through e-banking, enabling them to make knowledgeable judgments regarding various financial products, interest rates, and investment opportunities
 - ❖ E-banking supports a convenient and flexible payment mode with a wide range of digital payment options, including online transfers, mobile wallets, and peer-to-peer payment apps
 - ❖ Through e-banking platforms, customers may monitor their investments, establish new accounts, close existing accounts, apply for loans, and apply for loans quickly and conveniently
 - ❖ E-banking systems can analyze customer data to offer personalized recommendations, services, and offers based on individual financial behaviors and preferences
 - ❖ E-banking stimulates innovation in the financial industry, resulting in the creation of new goods and services like automated advisors and digital wealth management platforms that address changing consumer needs.
- Overall, e-banking offers a wide array of benefits that cater to the demands of modern customers for convenience, efficiency, security, and accessibility in

their financial transactions and management.

Challenges In Digital Banking:

Digital banking does provide various benefits to the sector as a whole, such as simpler and more convenient consumer transactions. However, digital banking presents its own set of issues for financial institutions, such as increased cyber security risk and a greater demand for dependable, "always-on" IT systems. To successfully execute a digital transformation, banks must carefully assess all of the difficulties and opportunities.

The reliance on online banking increased in recent years. Digital lending, wealth management, and investing have all benefited from the growth of online banking. Banking is now more widely available, and customers are becoming more attracted to using better technologies. However, due to the strain of digital banking and the increasing demand, banks are finding it difficult to adjust to the new client behavior.

- ❖ With the rise of digital banking for user convenience, the potential of fraud in financial transactions exposes both clients and banks to con artists. Banks are working to raise client awareness about the

types of risks that they may encounter. They must never reveal sensitive financial information to unfamiliar callers/ emails/ messages. They should use caution when doing financial transactions and change their secure credentials/ passwords regularly. Banks use multilayer security checks, allowing clients to halt at any moment if they are unsure about a transaction. Customers are advised by banks to never click on unexpected links without first examining the Uniform Resource Locator (URL). Official banking apps or the bank's official website must be utilized for banking transactions. Fraudsters who attempt to obtain confidential information are a persistent concern

- ❖ Banks are concerned about failed connectivity and a lack of constant and reliable data. They are striving to anticipate challenges caused by increased demand from digital technologies. Relying on technologically enhanced systems as consumer demands rise and increase, quick banking is the very minimum. They must ensure that the banking digital service can be upgraded and integrated with future technology. Banks should maintain

a front-end emphasis while scaling up with new-age technology and innovation to be future-ready to handle customer pressure

- ❖ The level of customer care provided by banks has a significant impact on how well those clients are kept and brought in. If the relationship officer fails to swiftly address a poor service provider experience, the bank's reputation may suffer. The personalized service that customers still appreciate in digital banking, where technology is the first face, is being replaced over time by non-human bots and customer care helplines. Customers who employ these automated services may give up in despair. Most online banking programs create lists of probable customer questions to handle problems. However, not every inquiry focuses on a specific problem that clients bring up
- ❖ Customer reluctance is another problem. Although many consumers are embracing online purchasing with enthusiasm, many others are still wary of digital banking and prefer to know that a bank has physical facilities. Balancing physical locations with increased digital capability can be challenging

and expensive for smaller financial organizations.

What Are the Opportunities in E-Banking?

E-banking, also known as electronic banking or online banking, refers to the use of electronic and digital technologies to conduct various banking and financial transactions over the Internet. There are numerous opportunities in the e-banking sector, driven by advancements in technology, changing consumer behaviors, and the need for more efficient and convenient financial services. Some of the opportunities in e-banking include:

- ❖ **Reliability and Accessibility:** With e-banking, consumers can carry out transactions from any location with an internet connection at any time and have access to their accounts. This ease increases client happiness and lessens the requirement for in-person branch visits.
- ❖ **Cost Efficacy:** By eliminating the need to maintain immense physical branches and staff, e-banking allows banks to substantially decrease costs. As a result, banks may be

able to offer users more affordable fees and interest rates.

- ❖ **Technological Services:** E-banking enables financial institutions to offer cutting-edge services including peer-to-peer payments, digital wallets, online account opening, mobile banking apps, and specialized money management tools.
- ❖ **Better client Experience:** Based on client information and preferences, e-banking platforms can provide customized experiences. Improved customer satisfaction, loyalty, and retention could stem from this.
- ❖ **Transnational Reach:** By overcoming geographical restrictions, e-banking enables banks to serve customers outside of their local communities.
- ❖ **Security and Fraud Prevention:** With the right security measures in place, e-banking can offer enhanced security features such as two-factor authentication, biometric authentication, and real-time fraud detection, which can make online transactions safer than traditional methods.
- ❖ **Data Analytics:** E-banking generates an enormous amount of data, which banks may examine to discover more about consumer

patterns, preferences, and behaviors. Banks can modify their services, promotional strategies, and merchandise offerings with the support of this data-driven strategy.

- ❖ **Financial Inclusion:** E-banking can play a significant role in bringing banking services to underserved and remote areas where physical branches are not feasible. Mobile banking and digital wallets can provide access to financial services for those who previously had limited options.
- ❖ **Statutory Compliance:** E-banking systems may be created to guarantee adherence to legal standards, increasing the responsibility and openness of financial activities.
- ❖ **Electronic identity verification:** To enhance security and simplify procedures like customer onboarding, e-banking can make use of cutting-edge electronic identity verification technologies.
- ❖ **Real-Time Transactions:** E-banking enables real-time transactions and notifications, allowing customers to have more immediate control over their finances.

These opportunities demonstrate the potential for growth and innovation within the e-banking sector. However,

it's important to note that e-banking also comes with challenges such as cybersecurity risks, data privacy concerns, and the need for continuous technological updates. Success in e-banking requires a balance between harnessing opportunities and effectively managing the associated risks.

Despite these limitations, digital banking gives up a plethora of opportunities, both in terms of service quality and financial potential. It is still very much in a bank's best interests to go digital.

5 Conclusion:

India's e-banking industry has grown and changed significantly over the years as a result of technical improvements, shifting consumer tastes, and governmental regulations. The future of the Indian financial sector is being shaped by a combination of opportunities and difficulties presented by the country's e-banking environment. To fully reap the rewards of e-banking while ensuring that the shift is inclusive and secure for all demographic groups, it is essential to solve infrastructural, security, and digital literacy issues.

To enhance financial accessibility, security, and efficacy, the Indian e-banking system must be improved. Increasing consumer knowledge of safe

online practices is the aim. The nationwide efforts to raise the level of digital literacy among the public, especially in rural areas, are credited with the success of e-banking. Mobile banking apps need to be easy to use. People are being encouraged to use e-banking services by offering cheaper banking options and quicker account creation processes. Data protection laws need to be reinforced in order to safeguard private customer information. Ensuring that e-banking services are available in multiple Indian languages can help you reach a larger audience. The main goal of e-banking operations should be to promote environmentally friendly behaviors, such as cutting back on paper use and switching to digital receipts.

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