



A STUDY ON THE ACCEPTANCE OF DIFFERENT FORMS OF ELECTRONIC BANKING IN INDIA: CHALLENGES AND OPPORTUNITIES

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Abstract:

Over the past couple of years, the Indian Banking System has shown great resilience with the developing economy of the nation. The banking industry has not only grown in number but has also shown a tremendous development in the technological front. The banking industry has given lot of options to the customers to use banking services with the help of technology. This research paper focuses on the types of electronic banking media; the past, the present and the hopeful future of the banking system. This paper focuses on the levels of acceptance of electronic banking media among the customers and also focuses on the reasons of differing levels of acceptance. This research paper also tries to define the challenges faced by the banking system in the growth of acceptance level by the customers towards electronic banking and the opportunities which can be banked on in the form of marketing strategies that help the acceptance of electronic banking media for the faster and better services. The challenges and opportunities in the electronic banking sector are judged upon the various sources of information available and an attempt is made to show the probable future trend in the acceptance of electronic banking media by the society at large.

Keywords:

Electronic Banking, banking industry, banking services, marketing strategies, customers.

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1. INTRODUCTION

The advent of Information technology has made a great impact on the banking sector. A rapid transformation has been seen in the services offered by the Indian Banking system. May it be the initial computerization into branch banking, the ATM services, online transactions, much promoted Mobile banking or the plastic cards easy money; these all have helped the services to move faster and serve better. The credit of launching internet banking in India goes to ICICI Bank. Citibank and HDFC Bank followed with internet banking services in 1999. Several initiatives have been taken by the Government of India as well as the Reserve Bank to facilitate



the development of e-banking in India. 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. In spite of the great benefits of the electronic banking, it is extremely essential that banks regard the risks associated with it. One significant step that banks must take before going through any transformation is to insure the proper handling of electronic banking risk (Al-Alawi, 2005). E-based banking is also known as Cyber banking, home banking, and virtual banking and includes various banking activities that can be conducted from anywhere (Dheenadhyayalan 2010).

E-Banking:

E-banking is a generic term making use of electronic channels through telephone, mobile phones, internet etc. for delivery of banking services and products.

Online banking services provided by banks are as follows –

- Core Banking Solution(CBS)
- Automated Teller Machine (ATM)
- Electronic Fund Transfer (EFT)
- Real Time Gross Settlement System (RTGS)
- National Electronic Fund Transfer(NEFT)
- Mobile Banking (M-Banking)
- Electronic Clearing Services (ECS)
- Plastic Cards (Credit and Debit Card)



As per the above figure shows that there has been a rise in the e-money i.e. the customer behaviour is changing as the percentage of cheques used in FY2009-10 were 65% and it came down to 52% in FY2011-12. Simultaneously, the payment through e-banking increased to 48% in the FY2011-12 from 35% in the FY209-10.



Consumer acceptance of Internet banking:

Raghavan (2006) opined that at present, over 85% of the finished payment transactions are electronic and traditional way of doing banking at the branch level has relatively little importance to electronic banking users. Many banks, including PSU banks, would have online ATMs, phone banking, virtual banking, e-banking, Internet banking, etc. by 2020. Mohan (2006) remarked that Indian banking is at the threshold of a paradigm shift and a significant development has been achieved by banks in offering a variety of new and innovative e-banking services to customers today, which was not thought of before. Shukla and Shukla (2011) stated that E-banking offers a higher level of convenience for managing one's finances even from one's bedroom. However, it continues to present challenges to the financial security and personal privacy. Customers are advised not to share personal information like PIN numbers, passwords etc with anyone, including employees of the bank; change ATM PIN and online login and transaction passwords on a regular basis; ensure that the logged in session is properly signed out. A review of this information shows that there is a greater amount of acceptance for electronic banking among customers yet there are a few challenges that are hindering its growth.

2. METHODOLOGY

The research is based on secondary source of information available and is mainly based on exploratory research design.

An attempt is made to understand the different challenges and the opportunities available for the acceptance of different forms of electronic banking. The sources of data are Report on Trends and Progress of Banking in India published by Reserve Bank of India, Mumbai. The parameters of the study have been restricted to the growth of e-commerce, cards transactions-debit card and credit card, mobile banking and growth of ATMs.

An attempt has been made to compare the past data with the present available statistics and to check on the opportunities available to increase the share of electronic banking as a media of transacting.

3. RESEARCH OBJECTIVES

Primary Objective: To understand the acceptance of different forms of E-Banking in India.

Other Objective: To understand the challenges and the opportunities available in the electronic delivery channels for better banking services.

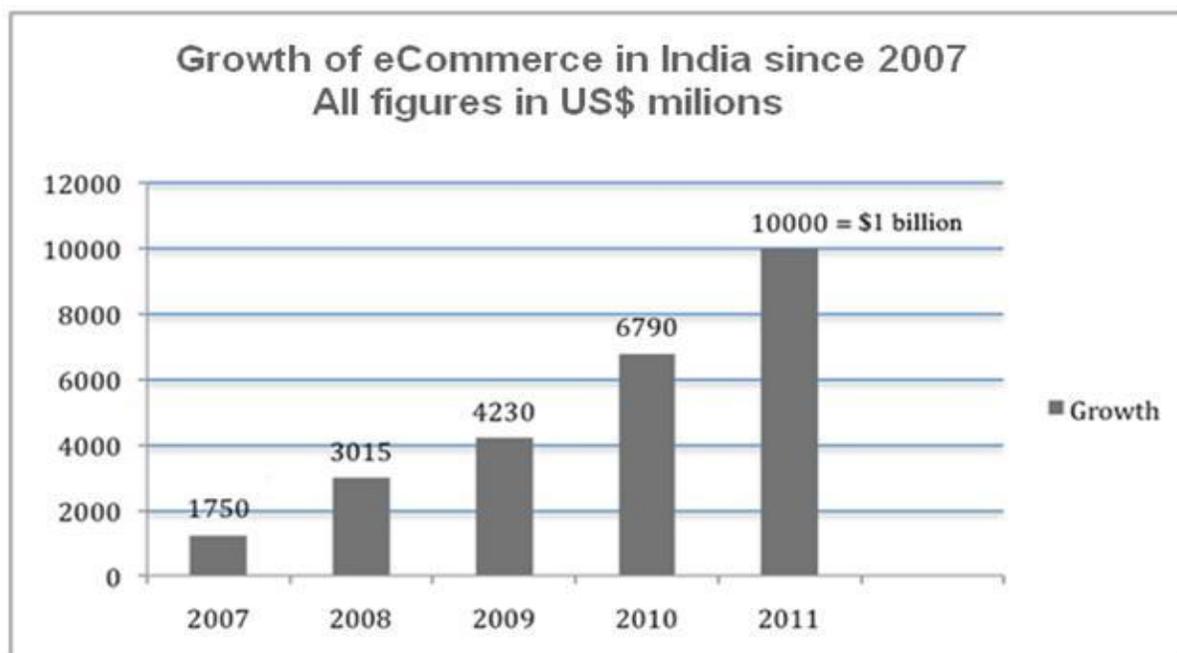


4. FINDINGS & DISCUSSIONS

4.1. GROWTH OF E-COMMERCE

E-commerce activities started in India since late '90, but the e-commerce services picked up growth only after FY 2007. The figure(1) below shows the growth of e-commerce from approximately US \$1800 million in year 2007 and just in a span of 4 years it reached the mark of US\$ 1 billion in the year 2011. Ever since that, with the advent of new technology, the e-commerce activities have shown a positive trend and tremendous growth in the acceptance of internet or online activities.

With the increase of e-commerce activities, the banking sector has also grown its activities and has benefitted a lot in terms of volume of transactions and also value of transactions. With the initiation of online banking the customers have experienced ease in transacting with the betterment of services.



4.2. CARDS TRANSACTION

Debit card: Debit card is a card that is offered to customer to withdraw own money from the bank any time. It is also called a plastic card. Debit card is used for cash withdraw from ATM, funds transfer, paying bills, accessing detail account information, etc.



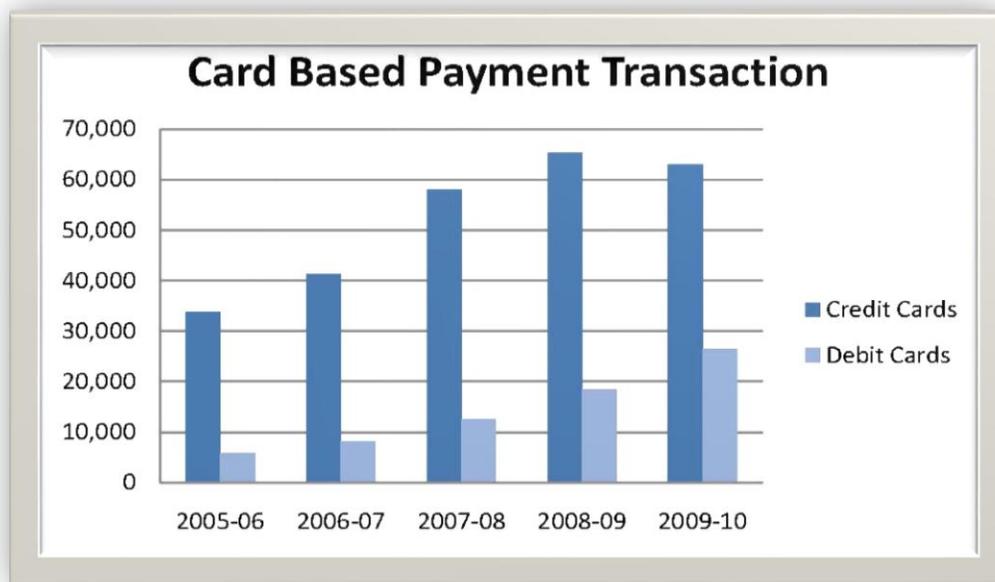
Credit card: Credit card is like a credit offered by bank to the customer. The Credit Card holder is empowered to spend money wherever and whenever he wants with his Credit Card within the limits fixed by his bank.

The table below shows the card based payment transaction in value (Rupees Crores).

The data is shown for the FY 2005-06 to FY 2009-10. This data shows a positive trend in usage of both the cards i.e. debit and credit cards.

The data of Credit card transactions have shown an increase of 54% approximately, from the FY 2005-06 to FY 2009-10.

The data of Debit Card transactions shows an increase of 22% approximately, from the FY 2005-06 to FY 2009-10.



Source: RBI, Annual Report 2009-10

Table 1: Showing Card based payment Transaction Value (Rupees Crores)

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Credit Cards	33,886	41,361	57,985	65,356	62,950
Debit Cards	5,897	8,172	12,521	18,547	26,566



PAYMENTS CARD		
Card Type	Volume (Mar 2014)*	Annual Growth*
Debit Cards	394.42 Million	17.2%
Credit Cards	19.21 Million	

Source: RBI-Banking Sector Performance Analytics Data for Public Access

P.N: The latest data on cards payment in value is not available.

The chart above shows the latest information about payments via plastic cards in transaction volume. The debit card transactions volume in March 2014 shows 394.42 million of transaction and thus an annual growth of 17.2 %. The growth of volume of transactions of debit card is more than credit cards because the customers use debit cards more for balance inquiry and is also accepted widely by the Rural India.

Challenges

- There is still lack of trust towards acceptance of plastic cards as mode of transacting.
- There is also distrust towards misuse of debit card especially during online transactions as the amount directly gets debited form the account and immediately.
- At POS Terminals, the cards sometimes do not get scratched due to poor connectivity

Opportunities

- The RBI can issue a knowledge source in the different local languages to educate the people about the usage and benefits of plastic cards to rural India.
- The initiation of personalized debit cards and pictures of personal liking to be printed on plastic cards seems to be a good proposal to increase the sale and use both of the plastic cards.
- If choice in choosing the PIN or registering the PIN Number of personal choice with the bank; the bank can attract more customers.
- Special educational programs can be giving in public interest especially to the potential customers of rural India can help the growth in usage of plastic cards.



4.3. MOBILE BANKING

Mobile banking services are offered to the customers by registering their mobile numbers with the bank at the time of opening the account.

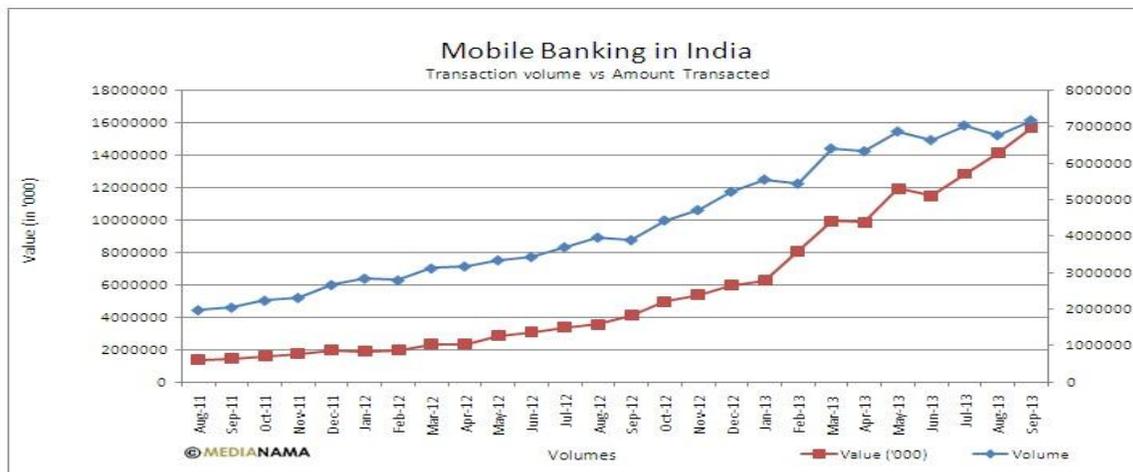
Mobile banking is used for performing balance inquiry, account transactions, payments etc. via a mobile phone. Mobile banking is performed via SMS or the Mobile Internet, but can also use special programs downloaded to the mobile device in the form of bank applications.

The chart below shows the mobile banking transactions in volume and value (in million) for the FY 2010-11 to FY 2012-13. The trend is positive as there is continuous growth in both volume and values of transactions.

Year	No. of Users (Million)	Volume (Million)	Value (Billion Rs.)
2010-11	5.96	6.85	6.14
2011-12	12.96	25.56	18.21
	(117.45%)	(273.139%)	(196.58%)
2012-13	22.51	53.30	59.90
	(73.69%)	(108.53%)	(228.94%)

Note: figures in brackets indicate the growth over the previous year.

The graph below is the representation of the chart which represents the growth of mobile banking transactions from the FY 2011, August to FY2013, August.





Challenges

- The poor internet connectivity can prove to be a hindrance in transacting with the help of mobile.
- The mobile applications of banks support only a few handsets and do not work correctly if the mobile phone.
- There can be a delay in the confirmation message even after the transaction through mobile banking.
- Unlike ATM, the mobile banking services are not available in other language than English.

Opportunities

- The mobile applications should be developed in such a way that supports most of the handsets.
- The mobile applications should be available in Hindi language too like ATM.

4.4. AUTOMATED TELLER MACHINE (ATM)

ATM is an electronic machine which allows the customer to withdraw cash, check account balances, transfer fund, and get account statement and other banking services.

On most modern ATMs, the customer is identified by inserting a plastic ATM card with a magnetic stripe or a plastic smart card with a chip that contains a unique card number and some security information such as an expiration date or CVVC(CVV). Authentication is provided by the customer entering a personal identification number (PIN).

The below Annexure 1 gives an exhaustive list of the banks and the number of ATMs of each bank and their status till the quarter end of September, 2014.

ANNEXURE I					
Region wise deployment of ATMs for the quarter ended September, 2014					
Bank Name	Metro Centers	Urban Centers	Semi - Urban Centers	Rural Centers	Total of all centers
Scheduled Commercial Banks					
Public Sector Banks					
Nationalized Banks					
Allahabad Bank	273	371	252	225	1121



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Andhra Bank	439	603	587	391	2020
Bank of Baroda	1947	1671	1566	1841	7025
Bank of India	845	1655	1708	1539	5747
Bank of Maharashtra	453	372	418	596	1839
Canara Bank	2071	1755	1594	1675	7095
Central Bank of India	1031	1029	1069	966	4095
Corporation Bank	695	717	827	507	2746
Dena Bank	328	285	326	493	1432
Indian Bank	430	599	591	566	2186
Indian Overseas Bank	760	821	899	802	3282
Oriental Bank of Commerce	548	680	656	565	2449
Punjab and Sind Bank	140	346	208	469	1163
Punjab National Bank	1907	2022	1732	2293	7954
Syndicate Bank	598	705	748	865	2916
UCO Bank	493	529	537	592	2151
Union Bank of India	1907	1866	1629	1226	6628
United Bank of India	255	515	444	545	1759
Vijaya Bank	367	421	397	369	1554
State Bank Group					
State Bank of India	9948	16040	14428	4975	45391
State Bank of Bikaner & Jaipur	319	469	615	278	1681
State Bank of Hyderabad	465	713	780	427	2385
State Bank of Mysore	296	308	306	299	1209
State Bank of Patiala	193	367	362	397	1319
State Bank of Travancore	105	351	885	99	1440
Other Public Sector Banks					
IDBI Bank	757	1095	597	278	2727
Total	27570	36305	34161	23278	121314
Private Sector Banks					
Catholic Syrian Bank Ltd.	42	91	94	6	233
City Union Bank Ltd	204	369	336	86	995
Dhanalaxmi Bank Ltd.	141	127	110	18	396
Federal Bank Limited	224	302	809	100	1435
ING Vysya Bank	384	189	49	13	635
Jammu & Kashmir Bank	45	362	250	194	851
Karnataka Bank Ltd.	244	248	197	69	758
Karur Vysya Bank Ltd	313	490	613	221	1637
Lakshmi Vilas Bank Ltd.	130	80	228	200	638



Ratnakar Bank Ltd.	141	96	112	29	378
South Indian Bank Ltd	185	277	481	120	1063
Tamilnadu Mercantile Bank Ltd.	76	181	331	161	749
Axis (UTI) Bank Ltd.	4306	3995	3304	1541	13146
Development Credit Bank Ltd.	140	37	53	22	252
HDFC Bank Ltd.	4838	3318	2497	862	11515
ICICI Bank Ltd.	6027	3496	1761	455	11739
IndusInd Bank Ltd	698	357	144	78	1277
Kotak Mahindra Bank Ltd	814	184	111	50	1159
Yes Bank Ltd.	656	362	114	17	1149
Total	19608	14561	11594	4242	50005
Foreign Banks					
RBS (ABN AMRO)	52	8	0	0	60
CITI Bank	416	110	20	31	577
DBS Ltd.	30	1	0	0	31
Deutsche Bank	26	13	0	0	39
FirstRand Bank	12	0	0	0	12
HSBC	133	10	0	0	143
Standard Chartered	223	56.00	0	0	279
Total	892	198	20	31	1141
Grand Total	48070	51064	45775	27551	172460

Challenges

- Although the ATMs have grown in number, many a times it is observed that the machines are out of service for sometime.
- Not all the off-site ATMs are protected by the guards all the time.
- There is no alternative to transact on ATM if the PIN(personal identification number) is lost.
- The generation of new PIN(personal identification number) also takes time.

Opportunities

- The customers In rural India can be educated through training sessions on benefits of electronic banking, in public interest .
- If off-ite ATMs are gaurded properly , the transactions can take place smothly 24hrs*7days.
- Like a few banks, if all the banks go for Cah Deposit and Cheque deposit machines, the use of electronic banking can be encouraged and the branch banking work can be eased.



5. LIMITATIONS OF THE STUDY

- The study is restricted to only three forms of electronic banking viz. Debit Cards and Credit Cards, Mobile Banking and ATM so as to narrow the area of research.
- The data is analyzed on the basis of availability of information.
- The data collected is not taken for every year or no constant slabs of years are maintained because the data are taken on the basis of availability and just to portray the trend of considerable past period and the considerable present.
- The futuristic trend in the form of opportunities is just an attempt to predict the future growth of electronic banking forms and its wide acceptance with the help of such suggestions.
- The present data which is shown in comparison to past data, are on the availability of the latest data available for that particular form of e banking.

6. CONCLUSION

It is known from the above data that Electronic media has helped and given tremendous growth to the banking sector. Also the issues of security of personal data that customers faced are solved by the RBI regulations to a greater extent. Yet there is no doubt that still the air of distrust among the customers is there while transacting online. This is mainly due to the past experiences and lack of security and also due to the increment of cyber frauds by the day. As per the continuous positive trend in the growth of electronic banking, it can be said that banking sector is on a boom and has a great acceptance among customers. The banking industry can grow further if the customers in the rural market are more educated and if they consider electronic banking media as more user friendly than just branch banking.

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