A Study On
Emerging Challenges
Towards
E-Banking System In
An Indian Economy

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Abstract

Electronic banking is the use of computer to retrieve and process banking data and to initiate transactions directly with a bank via a telecommunication network. In other words, banking is the wave of future. It provides enormous benefits to customers in terms of ease and cost of transactions. At the same time, it poses new challenges for authorities in regulating and supervising the financial system and in designing and implementing the macroeconomic policy. The paper is in conceptual nature. It focuses on the emerged challenges towards e-banking industry both the customers and employees who involved in the activity. It is to find the major challenges in the banking industry and find the pragmatic suggestion on post impact of e-banking.

Keywords: Corporate Social Responsibility, Electronic Fund Transfer, Virtual banking

1. Introduction

Electronic banking refers to electronic handling of all types of banking business, primarily over the internet. Technology has been one of the primary drivers of change in the banking industry. Sophisticated IT driven platforms are today the most patent tools to energies distribute channels. It has created a ‘one stop shop’ the financial super market that represents the future look of banking sector. ATM’s, credit cards, mobile banking are outcome of technology revolution that is sweeping across all traditional institutions. E-banking is increasingly becoming a “need to have than “nice to have” service. This is cheapest way providing banking services e-banking has reduced the transaction cost and enhanced the productivity levels of banking services.

Introduction of E-banking at gross root level is another area for future growth for Indian public sector banks. The success and adoption of E-banking will depend on the ability of banks of customers switched over to online banking. Banks need to educate the customers in the use of every new technology, as they are used for the traditional banking system. Now the application of computer is eliminating the use of papers. We come to the age of paper less and cashless banking. Days are not far off to see the disappearance of unit banking and branch banking.

2. Objectives Of Study

1. To analyze the bank account holders and their extent of awareness regarding adoption of modern technology.
2. To analyze the challenges in respect of adoption of modern electric goods and computer technology.
3. To study dynamic role of e-banking in modern economy.
4. To evaluate banking is one of the most regulated businesses in India.
3. Scope Of Study

Today’s banking is virtual banking. Virtual banking denotes the provision of banking and other related services through extensive use of IT without direct resource to bank by customers. E-banking has become back bone of the industry. In the globally competitive world, it is not possible to survive for any bank without adopting the latest technology. it provides ample facilities to their customers i.e. Net banking, mobile banking, door to door facility, Demat facility, credit facility, account facility, EFT, ECS etc.,

Technology has made tremendous impact in banking. Anywhere, any place and anyhow have become reality. This has thrown new challenges in the banking sector have started cropping up which is going to pass certain problems in near future. So, as researcher of E-Banking I take keen interest on challenges towards on Indian banking.

4. Methodology

Theoretical study conducted on the basis of secondary data, collected from books journals, magazines and RBI annual reports.

5. Major Challenges Towards E-Banking

E-banking in India is in its earliest stage of development. Most of them are basic services only the deregulation of e-banking industry coupled with the emergence of new banking technology is enabling new competitors to enter the financial services markets quickly and efficiently. However it needs to be recognized that perception norms and an improvement in functioning of e-bank.

5.1 Customer Acceptance

Proper understanding of the customer is the primary aspect of the E-banking. It is known that computer literacy in India is still very low and is barrier in fast acceptance of internet. Mindset of the Indian customer needs to be changed by giving awareness about technical terms in e-banking. Even though it adopts in the fast changing technical scenario, the obsolesce of technology fast. Hence there is always shortage of skilled personal and fear of technology puts the customer away from electric delivery channels.

5.2 Cost Of Technology

In connection with Startup cost e-banking is huge at initial level for acquiring personal computer and other equipments; oneself to do online banking is still not with reach of the middle class & upper middle class
customers. The cost of maintenance of all equipments like, modem, routers, bridges and network management systems. The cost of sophisticated hardware and software and skill level of employees needed.

5.3 Update The Level Of Employee Competencies
In e-banking there is need of skilled employees or knowledgeable professionals to route the banking transactions through the internet. Banks can employ software application developers, database administrators and training to existing bank staff on the changing systems and procedures who can handle e-banking applications under proper supervision.

5.4 Security
In a paper less transactions, many problems of security are involved. A secrecy threat as circumstensive decision to cause the economic hardship to data, destruction of network resources disclosure, modification of data or fraud, denial in services and distortion of information. Providing appropriate security of using encryption techniques, implementation of firewalls and virus protection software etc.

5.5 Legal Issues
In today’s bank world, legal frame work for recognizing the validity of banking transactions. Conducted through the NET is still being put in place? Information technology act provides security & legal frame work for e-commerce transactions. Information technology act or RBI suggested that criterion of Digital Signature Certification Board for authentication of electric records and communication with digital signatures.

5.6 Restricted Business
Not all transactions can be carried electronically; many deposits and some withdrawals require the use of physical services. Some banks have automated to their customers (front end) but still largely depend upon manual process (back end). It result, most of clientele or customers were restricted by lack and awareness and due to technical problems.

5.7 Transparency In Offering Services
Banks will strive to adopt best practices in corporate governance and Corporate Social Responsibility (CSR) this will enhance image and can help them to enhance their confidence of international investors. Banks much towards better corporate governance standards and adoption of uniform accounting standards and disclosure requirements.
5.8 Adopt Proper Organization Structure

Banks may required to adopt flatter organization structure for judicious blending of needs for greater delegation of power, decentralization, customer centric business models, quickly reaction of customer needs, learn continuously from customers, provide customer access, whatever and however they want to transact and interact especially for catering younger IT survey population.

6. Conclusion

E-Banking is becoming immensely popular globally and India is no exception to it. The declining internet rates falling computer prices, broadband with access through cable and digital subscriber lines and access through Net would definitely encourage the boom in e-banking in India. With globalization of services our country cannot lag behind in niche areas of e-banking

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