

Impact of e-banking in the economic growth in India

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Abstract

The Indian Banks are the backbone of Indian financial sector and Indian economy. Now a day in Indian economic scenario, the Indian financial system is in a process of rapid transformation. The shift from the formal banking to E-Banking has been a remarkable 'leap change' in Indian banking history. E-banking has experienced strong and sustained growth. E-Banking, also known as net banking, online banking or internet banking, is the facility provided by banks and financial institutions which allows customers to use banking services via internet. There are scores of services like online money transfer, account opening, bill payment, tracking account activity, etc., which are made available to customers with the help of **e-banking**. This research paper shows the relationship between e-banking and economic development in India and helps to know the present economic scenario of e-banking. It highlights the role of e-banking in ensuring a speedy Indian economic recovery.

Keywords: E-banking, economic development, present economic scenario

I. Introduction

India has emerged as the fastest growing major economy in the world and is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democracy and partnerships. The government of India has come up with Digital India initiatives, which focuses on three core components: creation of digital infrastructure, delivering services digitally and to increase the digital literacy¹

Banking through electronic channels has gained increasing popularity in recent years. The development and the increasing progress experienced in the Information & Communication Technology coupled with the expansion of the global economy paved the way for the transformation of the Indian banking system's role from traditional trade financing to mobilizing and channeling financial resources more effectively in almost all facets of life.

II. Objectives of the study

The major aim of the study is to know the present economic scenario of e-banking. Other specific objectives of the study include the following:-

1. To examine the role of e-banking in economic development of India.
2. To highlight the role of e-banking in ensuring a speedy economic recovery of India.
3. To examine the need for e-banking among the Indian populace.

III. METHODOLOGY OF THE STUDY

The study is mainly descriptive in nature. The data for the purpose of the study has been collected through secondary sources, which mainly include websites, various articles and journals.

IV. LITERATURE REVIEW

MEANING OF ELECTRONIC BANKING

E-banking can simply be defined as using Automated Teller Machines, telephones, internet and mobiles for doing day to day simple and advance transaction without being physically present in the bank , to use the services like making queries for account balance, making different type of payments like bills, mobile recharge, money transfer, filing income tax return electronically. In simple words, e-banking is concerned with doing all these transactions from home or office without visiting the branch; 24 hours, 7 days in a week by using ATM's, telephones, internet and mobiles etc. for doing banking services.

Daniel, defines electronic banking 'as the delivery of bank's information and services by banks to customers via different delivery platforms that can be used with different terminal devices such as a personal computer and a mobile phone with browser or desktop software, telephone or digital television'. It includes RTGS, NEFT, ECS, Credit cards/Debit cards and Smart cards, CTS, ATM and Mobile banking.

Electronic banking is defined by Barron's Dictionary (2006) as a form of banking where funds are transferred through an exchange of electronic signals between financial institutions, rather than an exchange of cash, checks, or other negotiable instruments.

BCBS (2001): "Electronic banking or E-banking , includes the provisions of retail and small value banking products and services through electronic banking channels as well as large value electronic payments and other wholesale banking services delivered electronically."

Features of E-Banking

- 24x 7 banking hour service
- No geographical barrier
- Easy Electronic Fund transfer facility.
- Better efficiency in Customer relationship management.
- Making the Payments of bills like electricity, telephone bills, and mobile recharge.
- It can view of balance of accounts and statements.
- E-banking can bring doorstep services.

- Order mini statements.

ADVANTAGE OF E-BANKING

In a time where it seems like you can do just about anything on the internet, it seems only right to be able to get your banking needs done online. Let's look at the advantages of online banking versus going to a physical bank branch.

- **Convenience:** E-banking or online banking is just different from traditional banking, because in traditional banking people have a limited time period to use any service but in online banking people can use all the services 24 hours in a day, it provides all time facilities, people can do it only by a mouse click. And there is no need to stand in queue now online banking customer can take advantage of all the services by their own electronic devices like PC or mobile and etc. All people want flexibility and Internet banking is trying to provide or offer them.
- **Ubiquity:** If any customer of online banking is out of state or even out of the country and if any money problem arises there, so that customer can log on instantly to his/her online bank and take care of business, 24\7.
- **Transaction speed:** In online banking its sites speeds generally execute and also confirm transactions quicker than any ATM processing speeds.
- **Efficiency:** Any customer of online banking can access and manage all of his/her bank accounts, including IRA's, CDs, even securities, from only one secure site.
- **Effectiveness:** To help their customers and manage all of their assets more effectively now many online banking sites are offering sophisticated tools, including account aggregation, stock quotes, rate alert and also portfolio managing program. Most are also compatible with the money managing programs for example quicken and Microsoft money.
- **Cheaper alternative:** Because now a day competitions are increasing day by day, so it may be the cost factor that is driving banks to offer a cheaper alternative facility. We can see that the Internet is still a very cheap alternative to opening a physical branch, and most of the push seems to be coming from the supply side. The costs of a banking service through the Internet form a fraction of costs through conventional methods.
- **From snob value to necessity:** Some years ago, it was the thought of mostly people that if any customer is opening any new account and wanted the online banking facility, so it was only to "feel good" and even after having this facility only some people used it. But now people believe that the facility of online banking is not now "nice to have" it's totally changed in to "need to have" facility. Today's everyone is very busy so they always need to do banking with an organization that could offer all good services on the Internet.
- **More Competition:** Internet banking became an option for approximately every bank in the nation. After the inspection of e-banking lots of competitions have arisen suddenly. Start-up banks took note and lots of sprouted up as Internet-only banks, eliminating some of the costs that traditional banks have. Internet banking came with lower operating costs; if any bank is Internet-based bank so it is able to pass those

savings on to their customers in the form of higher interest rates, leading to increased competition for traditional banks.

- **Reduced Costs:** In Internet banking people can do their work without any paper work so it reduces costs for banks, and also all transactions can be done without any paper work, that is beneficial for banks and customer also.
- **24-Hour Availability:** Now cause of Internet banking people can do any time banking it is day or night no matter, it is available for 24 hours. Cause of 24 hours availability many banks has increased their customers satisfaction in many ways. As now there is no need to do wait for the bank to open or to do any type of business now they can also solve any problem that arises at any time and can do their any type of work with the help of e-banking facility.
- **Customer Support:** As internet came in the world of banking sector, it helped banks to manage customer by supporting and creating online FAQ databases with online chat support.
- **Increased Training Needs:** Cause of internet the need of training has been increased, as customers often come into the bank and ask some tellers questions related with online banking issues. At that time the specialists can be reached by phone to solve the quire of customers, it is essential for all employees to have some knowledge about technical aspects.
- **Convenience Factors:** Before some time when online banking was not common, customers had to call the bank and navigate through an automated and sometimes it was really boring system to check balances or transfer funds like that, but now people can access their account and can also access all of those functions with the help of some clicks of the mouse.
- **Financial Management:** Now online banking allows their consumers to easily view their account online and they can also view some upcoming transactions so that they can better predict their cash flow and can also sign up for additional services much more easily or by the help of this they can also cancel current services if they think so.
- **Accessibility:** If people are travelling in any foreign country, they may have some difficulty in accessing their bank over the phone. As long as they have Internet banking, however, they can easily access their bank account from there.
- **Online Safety:** If, any person apply for online banking he get a password. If he thought that his password is not strong enough, so he can change his online account password.
- **Verification:** Some fake banks websites through fake emails can also trick you into navigate on that, and that steals your password and also your user name as you enter them. So it is necessary if you enter in any bank websites to access your account to verify carefully those sites.

DISADVANTAGES OF E-BANKING

However the current trend of exclusively using the online mode to make all kinds of transactions has a few drawbacks which may prove costly in the long run unless secured against from the beginning. Complex Transactions: There are many complex transactions which cannot be sorted out unless there is a face to face discussion with the manager that is not possible through internet banking. Solving particular issues and complaints requires

physical visit to the bank and cannot be achieved through the internet. Online communication is neither clear nor pin pointed to help resolve many complex service issues. Certain services such as the notarization and bank signature guarantee cannot be accomplished online.

- **Start-up may take time:** Some times because of the internet server problem and data speed issue it may be possible that start up may take time to get login to internet banking.
- **Legal Issues:** If your partner and you wish to view and maintain your assets together online, one of you may have to sign a durable power of attorney before the bank then that bank will display all of your holdings together.
- **Learning curves:** In banking sites people can feel difficulty to find the way at first. They have to give some time and have to invest some more time in order to become comfortable in their virtual lobby.
- **Bank site changes:** Some time many banks upgrade their online programs or services to provide their customer more facilities and more services, but it can be a cause of some problems, if they add some new features so some time people get confuse to access their online banking system and they have to enter their account information again and again.
- **Security Concern:** We all know that e-banking heavily encrypted, through the developing technology, but it is very hard to find out the 'hackers' who may access any customer's online banks accounts.
- **Technical Breakdowns:** As some times all technologies go down, like that sometimes websites of online banking also go down. If this happens when you want to close your local bank or credit card accounts, you will get definitely tired.

E-banking in India

In India, since 1997, when the ICICI Bank first offered internet banking services, today, most new-generation banks offer the same to their customers. In fact, all major banks provide e-banking services to their customers.

Popular services under e-banking in India

- ATMs (*Automated Teller Machines*)
- Telephone Banking
- Electronic Clearing Cards
- Smart Cards
- EFT (*Electronic Funds Transfer*) System
- ECS (*Electronic Clearing Services*)
- Mobile Banking
- Internet Banking
- Telebanking

- Door-step Banking

Further, under Internet banking, the following services are available in India:

1. **Bill payment** – Every bank has a tie-up with different utility companies, service providers, insurance companies, etc. across the country. The banks use these tie-ups to offer online payment of bills (electricity, telephone, mobile phone, etc.). Also, most banks charge a nominal one-time registration fee for this service. Further, the customer can create a standing instruction to pay recurring bills automatically every month.
2. **Funds transfer** – A customer can transfer funds from his account to another with the same bank or even a different bank, anywhere in India. He needs to log in to his account, specify the payee's name, account number, his bank, and branch along with the transfer amount. The transfer is effected within a day or so.
3. **Investing** – Through electronic banking, a customer can open a fixed deposit with the bank online through funds transfer. Further, if a customer has a demat account and a linked bank account and trading account, he can buy or sell shares online too. Additionally, some banks allow customers to purchase and redeem mutual fund units from their online platforms as well.
4. **Shopping** – With an e-banking service, a customer can purchase goods or services online and also pay for them using his account. Shopping at his fingertips.

ROLE OF E-BANKING IN ECONOMIC DEVELOPMENT

- Lower cost of handling transaction via E-banking resource compared to the cost of handling the transaction via the branch.
- Increased speed of response to customer requirements under E-banking which leads to better customer satisfaction.
- Lead to higher profits via handling a larger number of customer accounts.
- Reduce cost for physically opening bank branches.
- Lower costs of operating branch network along with reduced staff costs leads to cost efficiency under E-banking.
- It allows the possibility of improved quality and an enlarged range of services being available to the customer more rapidly and accurately and at his convenience.
- E-banking helps in reducing the cost of delivering the services to the customers.
- It provides banks with competitive advantage among their peers.
- Reduces the use of paper money that helps the central bank in printing less paper notes.
- Through websites, banks can earn revenue by promotional activities.
- FAQ's uploaded over the banks' website will reduce the workload on employees.
- Customers can avail e-banking facility from anytime, anyplace, therefore there is a need to invest more and more on relevant infrastructure.

Relationship between E-Banking and Economic development in India

One of the fundamental goals of every economy is the increase in economic growth. Banking industry has witnessed a significant improvement in technological development especially in

E-banking services. It offers convenience to the customers encourages cashless policy in the economy. Government of India encourages people to move towards cashless economy. This can be achieved by use of Debit; Credit Cards, electronic payment gateway system such as the NEFT and RTGS etc. in India. E-banking has become an integral part of the global financial environment. Improvement in technologies and financial innovations has made E-banking is an intense part of the banking sector.

V. CONCLUSIONS

The study concludes that with the passage of time E-banking has gained the momentum in the Indian context. E-banking has helped banks to retain the current customers, increase customer's satisfaction, acquire further share in the markets and reduce the costs of delivering service to the customers. Delivery of services has gained increasing popularity through electronic platform. It provides alternative way for delivery of services in a faster way to the customers. Various numbers of services are being offered by banks through electronic banking. E-banking both as a medium of delivery of banking services and as a strategic tool for business development, has gained wide acceptance internationally and is fast catching up in India with more and more banks entering the fray.

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