



A Study on Challenges and Factors Influencing Online Banking Services in India

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Abstract

The global financial environment now includes online banking as a fundamental component. The development of financial and technological advancements has made e-banking a significant component of the banking industry. The advancement of technology is expanding day by day. Technology is becoming the primary driver of fast development. Because of the enhanced customer satisfaction level, increased productivity, decreased cost of banking operations, and faster and larger volume settlements caused by electronic payments, online banking is significantly strengthening the banking sector and enhancing service quality. In India's banking industry, online banking services are expanding daily. The number of people using online banking services in India's banking industry is increasing daily. Investigating the online banking services offered by the Indian banking industry is the goal of this study. Primary and secondary sources, including bank managers, websites, and other sources, were used to compile the data for this study. Online banking services include things like email banking, phone banking, personal computer banking, and automated teller machines (ATMs). The study's findings suggest that effective regulation can raise banking consumers' knowledge.

Keywords: Online banking services, factors of online banking, challenges

Introduction

Online banking, also referred to as internet banking, e-banking, or virtual banking, is a type of electronic payment system that enables customers of banks and other financial institutions to carry out a variety of financial transactions through the website of the financial institution. The internet banking system frequently connects to or is a part of the bank's main banking system, as opposed to branch banking, which was the traditional method for consumers to acquire banking services. Customers who want to utilize an institution's online banking service must first register with the institution, set a password, and provide other credentials for client verification. This is required for all customers with internet access. Credentials used for online banking are typically different from those used for phone or mobile banking. Financial institutions now give customers client numbers whether or not they plan to utilize their online banking service. Customer numbers are not always the same as account numbers because a single customer number may be connected to several customer accounts. Although the financial institution may restrict the accounts that can be accessed to check, savings, loan, credit card, and similar accounts, technically the customer number can be linked to any account that the consumer has with the company.

Review of Literature

Baral (2005), Using the CAMEL Model, researcher examined the effectiveness of joint venture banks in Nepal. The investigation made extensive use of secondary data taken from the annual reports of joint venture institutions. The

analysis evaluated the joint venture banks' financial health using the CAMEL indicators. The results of the study showed that joint ventures have better financial health than commercial banks. Additionally, the components of CAMEL showed that it was simple to manage the possible impact on the balance sheet of a joint venture bank on a broad scale without placing any restrictions on the financial health.

Bansal (2010), Investigations were made into how deregulation will affect the public sector banks in India's productivity and profitability. Between 1996 and 2007, both primary and secondary data were used in the investigation. According to the report, banks' ability to compete depends on their determined efforts to modernise technology, expand management and operational effectiveness, enhance customer service, fortify internal control, and boost productivity and profitability. The results show that strategic management, strategic planning, and greater specialisation in the technical facets of lending and credit evaluation must be given top priority by public sector banks. According to the research, public sector banks should strengthen their skills to evaluate projects. The public sector is attempting to boost its output and revenue.

Rostami (2018), they found that, In order to determine the likelihood that a number of currently operating banks may fail at how reasonable it would be to grant new banking licences in the current environment. After receiving the banking licences, the study comprises identifying the banks that failed, performed poorly, or merged with large banks and computing various ratios for each parameter.

Objectives of the Study

- To understand the various types of Online Banking services available in India.
- To determine the factors that influence Online Banking services.
- To investigate the issues that Online Banking Services face.

Types of Online Banking

- **Internet Banking:** This sort of electronic banking enables users to conduct a variety of financial and non-financial transactions online. Customers can pay utility bills, check account balances, read bank statements, and transfer money to another bank account using the internet, often known as online banking or net-banking.
- **Mobile Banking:** This electronic banking system enables users to conduct both financial and non-financial transactions using a mobile phone. Most banks have already released their mobile banking apps, which are accessible through the Apple App Store and Google Playstore. Customers can utilise the mobile application, just like the online banking portal, to access banking services.
- **Automated Teller Machines (ATMs):** One of the most widely used forms of e-banking is the ATM. Customers can use ATMs to withdraw money, deposit cash, modify the PIN on their debit cards, and do other banking operations. An ATM user needs a password in order to use the machine. If a transaction is conducted from an ATM belonging to a different bank after the allotted number of free transactions have been reached, the bank will impose a small cost to the user.
- **Cards Debit:** Debit cards are something that almost everyone has. With this card, which is linked to a bank account, customers may avoid carrying cash. With a debit card, anyone can make any kind of purchase, and the money is immediately taken from the account.
- **Deposit and Withdraws (Direct):** This e-banking feature allows customers to approve regular deposits of paychecks into their accounts. The client can grant the bank permission to withdraw money from his or her account to pay for a variety of things, including bills, any type of instalment, insurance payments, and more.
- **Pay by Phone Systems:** With this service, a consumer can call their bank to ask them to pay a bill or transfer money to another account.
- **Point-of-Sale Transfer Terminals:** With this service, clients can pay promptly for their purchases using a debit or credit card.

Recent Development of the Indian Banking Services

Numerous private sector banks were established as a result of the liberalisation of the Indian economy in the early 1990s. This has led to a growth in the nation's banking sector during the past 20 years⁴. The income of Indian banks surged fourfold between 2001 and 2005, from US\$ 11.8 billion to US\$ 46.9 billion, while their profit after tax nearly tripled, from US\$ 1.4 billion to US\$ 12 billion. This expansion was primarily caused by two factors. The first is the inflow of up to 74% conditional foreign direct investment (FDI). 4. The conservative policies of the Reserve Bank of India (RBI), which have shielded Indian banks from a global economic downturn and recession. Each nation's Banking Index (Bankex) is compared. The nation's Banking Index (Bankex) is compared to the Sensex. The Bankex index has grown at a

compound annual growth rate (CAGR) of about 20% from 2003 to 126 and reflects the performance of significant banking stocks. Over the past ten years, the growth trajectories of the Bankex and the Sensex have been comparable.

Factors Influencing Online Banking Services

1. The value Attributed To Internet Banking

The two most prevalent categories of perceived usefulness are intentional and unintentional advantages (Lee, 2008). According to Lee, the targeted rewards are the immediate and palpable advantages that customers gain from using online banking services, such as lower transaction fees, greater deposit rates, and opportunities to win prizes, among other things. Contrarily, unintended benefits are concrete, hard to measure advantages, like services that let customers make banking transactions from anywhere in the world.

2. Technology Acceptance Model (TAM)

According to the literature, TAM has been widely used by several studies in this sector worldwide to evaluate how technology is accepted by consumers over time. The TAM model, developed by Davis in 1989, explains how a customer accepts or rejects a technology based on its "perceived usefulness" and "easy of use"

3. Steps Taken by the Government to Boost Internet Banking

In a study carried out in Vietnam by Chong *et al.* (2010), it was found that a government's backing is crucial when determining a consumer's intention to utilise online banking. Additionally, it has been suggested that governments offer free basic ICT programmes in elementary schools that concentrate on teaching fundamental computer skills and Internet awareness in order to encourage the adoption of online services like online banking, online shopping, and online bill payment (Nasri, 2011). This is because people will be more open to accepting internet services, such as online banking, as they grow more IT aware. The administration has developed a strategy. The policy's objective is to facilitate the growth of a dependable and affordable global communications infrastructure, supported by the requisite high-tech breakthroughs, and achievable by enhancing financial competitiveness in a knowledge-driven environment. To support the idea, additional legislation is being created, including the following

- Bill on Cybersecurity
- The Data Protection Act
- Regulation of Electronic Communications
- Electronic Controls on the Disposal of Electronic Waste
- Bill for National Digital Content Management

Problems Faced By Online Banking Services

1. Technology and Security Standards

Security and technological standards Banks should designate a network and database administrator with clearly defined roles, according to the Group's assessment. A security policy for banks should be approved by the Board of Directors. The Information Technology Division, which actually implements the computer systems, and the Security Officer / Group, which is entirely in charge of information system security, should have separate responsibilities. The Information Systems Auditor will additionally examine the information systems.

2. Legal Concerns

Given the current legal landscape, banks are required by law to not only confirm the identity of potential customers but also to learn more about their moral character and reputation. Accounts should only be opened following a comprehensive introduction and physical verification of the customer's identity, even though requests for account opening can be accepted online.

3. Supervisory and Regulatory Concerns

As suggested by the Group, the current regulatory framework for banks will be expanded to include Internet banking. Only banks with a physical presence in India and that are governed and overseen there will be able to offer Internet banking services to Indian citizens. Therefore, for the time being, banks and virtual banks with no physical presence in India but who were formed outside of India would not be able to offer Internet banking services to Indian citizens.

4. Risks

Compared to conventional banking, e-banking has a unique set of dangers. These risks are heightened in the case of online banking. The threat of technological transformation must first be carefully monitored. This is required to stay current with technology while also being affordable and customer-friendly.

5. Security Concerns

When making online payments or moving money between accounts, internet bankers are constantly worried about hackers and other undesirable characters. Through hacking, dishonest hackers can enter the accounts of online bankers and syphon off their money.

6. Significance of the Internet

One needs Internet access in order to benefit from online banking. For this, he needs a computer, a laptop, or a Tablet, as well as an Internet connection.

7. Start Over

Without printing or signing anything, anyone can start an account online with a number of institutions. Customers who want to use internet banking must meet with a personal banker in person during regular business hours.

8. Pay Bills

Online banking makes it simpler to pay any kind of bill. Instead of writing checks to pay bills, one can use online banking services, or they can just send money electronically to the payee.

9. Transfer Funds

Using online banking makes it very simple to transfer money. In the past, the customer had to visit the branch or wait on hold to complete this task. With internet banking, it's a lot simpler.

10. Rates

Online banks are known for giving out better rates. In theory, one ought should be able to earn more money in savings accounts and pay lower interest rates on loans. It's always a good idea to shop around and compare online banking rates to traditional rates, although purchasing online is usually always more advantageous.

11. Deposit Cheque

There are a few alternatives available for depositing checks that someone receives. The quickest and easiest method is remote check deposit; all you need to do is take a picture of the check and upload it to the bank for processing.

Conclusion

E-banking is a global phenomenon that enables anytime, anywhere, and any way banking. This provides us with all the features and numerous benefits over conventional banking services. Controls that could reduce or eliminate the risks that have been identified are supplied during this stage of the process, depending on how well they fit the operations of the company. The proposed measures are designed to lower risk to an acceptable level for the IT system and its data. The study found that the three main factors that determine the quality of internet banking services are effectiveness, privacy, and website design. According to the research findings, consumer satisfaction in the banking sector is directly correlated with several aspects of the quality of the internet banking service. Understanding the study's elements will help bank managers and policy makers focus their efforts and resources in the most effective and efficient ways to grow the bank's business over time, attract new customers to use internet banking, and keep hold of current ones.

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