



## **AN OVERVIEW OF INDIAN BANKING INDUSTRY WITH SPECIAL CONTEXT TO ELECTRONIC BANKING SERVICES**

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### **Abstract:**

In India the share of banking and insurance within the service industry is very significant. Banks today operate in a highly globalized, liberalized, privatized and a competitive environment. In order to survive in this environment banks have to use IT. Indian banking industry has witnessed a tremendous developments due to sweeping changes that are taking place in the information technology. Electronic banking has emerged from such an innovative development. To cope with the pressure of growing competition, Indian commercial banks have adopted several initiatives and offered several e-banking services to their customers. Hence this study aims to analyse the history of e-banking and availability of variety of e-banking services in India.

**Key Words:** E-Banking, Origin, IT & Services

### **Introduction:**

E-banking signifies and encompasses the entire sphere of technology initiatives that have taken place in the banking industry. E-banking is a generic term making use of electronic channels through telephone, mobile phones, internet etc. for delivery of banking services and products. The concept and scope of e-banking is still in the transitional stage. E-Banking has broken the barriers of branch banking. E-banking came into being in UK and USA in 1920s. It became prominently popular during 1960s through electronic funds transfers and credit cards. The concept of web-based banking came into existence in Europe and USA in the beginning of 1980s. It has been estimated that around 40 percent of banking transaction would be done through Net. In India e-banking is of fairly recent origin. In India, ICICI bank was the first bank which offered this delivery channel, by kicking off its online services in 1996.

### **Statement of the Problem:**

Technology is making a tremendous impact upon service companies in general and the financial services sector is no exception. As a result of this technological improvement business environment in financial sector is extremely dynamic and experience rapid changes and demands banks to serve their customer electronically. The evolution of e-banking started from the use of Automatic Teller Machine (ATM). E-banking has been widely used in developed countries and in developing economies.

In India 70 percent population reside in rural areas and 30 percent population reside in urban area of the country. Banks were offered various type e-banking services to customers. In a survey conducted by IAMAI and IMRB (IMRB and IMAI, 2006) the estimated number of internet users as of September, 2006 was 37 million and the number of "active users" was pegged at around 25 million. The survey also estimates around 2.4 million E-commerce users, which included internet banking users. An estimated 4.6 million Indian internet users are availing internet banking services.

In India, slowly but steadily, the Indian customer is moving towards Internet banking. But they are very concern about security and privacy of internet banking. There is a need for providing better and customized services to the customers. Banks must be concerned about the attitudes of customers with regard to acceptance of online banking. Hence, banks should design the website to address security and trust issues. They have to increase the level of trust between banks' website and customers. The Usage of Mobile Banking also increased. This induces the researcher to study about the history of e-banking Services and availability of various e-banking services in India.

### **Scope and Significance of the Study:**

The study has been undertaken from the point of view of Banks which may be Public Sector or Private sector who render e-banking services to Indian customers and also operated its function in India. The present study aims to identify the origin and Growth of E-Banking and availability of e-banking services to customers. The result of the study may be useful for the Government, Public and Private sector Bankers in order to understand the importance of e-banking and improve their services in such a way that to attract more number of customers, their satisfaction and Country's economic development.

### **Objectives of the Study:**

- ✓ To study about origin and Growth of E-Banking in India.
- ✓ To know about availability of e-banking services in India.

- ✓ To offer suggestions for the improvement of e-banking services in India.

**Limitations of the Study:**

- ✓ This study entirely based on secondary data, so the limitations of secondary data are also applicable.
- ✓ It is limited to e-banking services.
- ✓ The results of the study may not be generalized.

**Research Design:**

Research design briefly gives details about the method of data collection, pilot study and analysis of data. This study is descriptive in nature. This study entirely based on secondary data which collected from various sources like Books, Magazines, Journals, RBI and Bank report and websites.

**Review of Literature:**

K. T. Geetha & V. Malarvizhi (2015) pointed out that the rapid advancement in electronic distribution channels has produced tremendous changes in the financial industry in recent years, with an increasing rate of change in technology, competition among players and consumer needs. Centeno (2014) argues that speed, the convenience of remote access, 7/24 availability and price incentives are the main motivation factors for the consumers to use internet banking.

Roshan Lal & Rajni Saluja (2012) said that today most of the banking happens while you are sipping coffee or taking an important call. ATMs are at your doorstep. Banking services are accessible 24x7. There are more plastic cards in your wallet than currency notes. A huge part of this change is due to advent of IT.

Ms. Linda Mary Simon (2012) made a study and found that private sector banks are providing better services to its customer than public sector banks. It is evident that public sector banks have a strong presence in the market but in recent times they are facing stiff competition from private sector banks in the range and quality of services offered.

Maya B. Lohani, & Kamlesh Kumar Shukia (2011) both attempted a comparative study between Bank of Baroda (BOB) and ICICI in Lucknow and found that the younger customers are interested to use internet related services(ATM,NEFT,RTGS etc).most of the respondents preferred NEFT(National Exchange Fund Transfer) followed by ATM and Mobile banking. They are more inclined towards services provided by private sector bank than the public sector bank. They concluded that the perceived quality of services provided by private sector bank (ICICI) is better than public sector bank (Bank of Baroda) in Lucknow city region.

Malhotra and Singh (2009) said that the usage of internet banking gain slow and steady growth in Indian banking sector.

**Origin and Growth of E-Banking in India:**

In India e-banking is of fairly recent origin. The traditional model for banking has been through branch banking. Only in the early 1990s there has been start of non-branch banking services. The good old manual systems on which Indian Banking depended upon for centuries seem to have no place today. The credit of launching internet banking in India goes to ICICI Bank. Citibank and HDFC Bank followed with internet banking services in 1999.

State bank of India launched its services in July 2001. Other public sector banks like Bank of Baroda, Allahabad Bank, Syndicate Bank and Bank of India, also rolled its services during the same time. Banks in India currently offers “Fully Transactional Websites” to their customers. The customers would conduct a variety of transactions through internet banking facility which includes: account summary, details of historical banking transactions, funds transfer, loan applications, bill payments, cheque book request, cheque status enquiry, stop cheque request, credit card payments/ statements, facilities to contact account managers, etc.

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. The Reserve Bank is monitoring and reviewing the legal and other requirements of e-banking on a continuous basis to ensure that e-banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability.

A high level Committee under chairmanship of Dr. K. C. Chakrabarty and members from IIT, IIM, IDRBT, Banks and the Reserve Bank prepared the “IT Vision Document- 2011-17”, for the Reserve Bank and banks which provides an indicative road map for enhanced usage of IT in the banking sector.

To cope with the pressure of growing competition, Indian commercial banks have adopted several initiatives and e-banking is one of them. The competition has been especially tough for the public sector banks, as the newly established private sector and foreign banks are leaders in the adoption of e-banking. Indian banks offer to their customers following e-banking products and services:

Automated Teller Machines (ATMs)	✓	Electronic Clearing Services
✓ Internet Banking	✓	Electronic Clearing Cards
✓ Mobile Banking	✓	Smart Cards
✓ Phone Banking	✓	Door Step Banking
✓ Telebanking	✓	Electronic Fund Transfer

The three broad facilities that e-banking offers are:

- ✓ Convenience- Complete your banking at your convenience in the comfort of your home.
- ✓ No more Qs- There are no queues at an online bank.
- ✓ 24x7 service- Bank online services is provided 24 hours a day, 7 days a week and 52 weeks a year.

**Computerization of Banks:**

The first and major step for providing e- banking services to customers is computerization. Efforts to modernization of Bank are taken. It is important to note that presently almost 98 percent of the branches of public sector banks are fully computerized and within which almost 90 percent of branches are on core banking platform. Table 1 indicates computerization in public sector banks.

Table 1: Computerization in Public Sector Banks

Year	Fully Computerized (%)	Partially Computerized (%)	Core Banking Solutions (%)
2010	85.6	13.4	44.4
2011	93.7	6.3	67.0
2012	95.0	5.0	79.4
2013	96.0	4.2	82.3
2014	97.8	3.1	88.7
2015	98.5	2.2	90.0

Source: RBI Report

From the above table its clear that the process of computerization of public sector banks are increased year by year. As per report in 2015, 98.5% of the banks were fully computerized and 90% of the banks were work under core banking solutions. It also reveals that there is a declined progress of partial computerization that is importance given to fully computerization.

**Availability of ATMs:**

ATM is known as “Any Time Money” or “Any Where Money” because it enables the customers to withdraw money from the bank from any of its ATMs round the clock. ATM has become the most popular and convenient delivery channel throughout entire country. ATMs are work 24\*7. It reduces the burden of customers’ waiting for withdrawal of their money from bank. The usage of ATMs is increased after demonetization. The Availability of ATMs are listed below.

Table 2: Number of ATMs Available in Banks (As Per 2011 Statistics)

Bank	On Site	Off Site	Total
Public Sector Banks	29,795	19,692	49487
Nationalized Banks	15691	9145	24836
SBI Group	14104	10547	24651
Private Sector Banks	10648	13003	23651
Old Private Sector Banks	2641	1485	4126
New Private Sector Banks	8007	11518	19525
Foreign Banks	286	1081	1367

Source: RBI Report

The Above table clears the number of ATMs in India. All the banks had more number of ATMs as well as every year this numbers are increased. As per 2011 Statistics, in India, there are 40,729 on site ATMs and 33,776 off site ATMs.

**Retail Electronic Payment Systems:**

The electronic payment systems such as Electronic Clearing Service (ECS) credit and debit and National Electronic Fund Transfer (NEFT) have improved the speed of financial transactions across the country. Electronic Clearing Service (ECS) is one of the new electronic banking services. ECS is a non-paper based movement of funds which is encouraged by the RBI on a wide scale. ECS consists of- Electronic Credit Clearing Service & Electronic Debit Clearing Service. ECS brings down administration cost and ensures profitability and productivity to the banks. National Electronic Fund Transaction (NEFT) is a deferred net settlement system and is an improvement over other modes in terms of security and processing efficiency. This facility is currently available at over 46,300 bank branches throughout the country.

Table 3: Volume of Electronic Transactions of Scheduled Commercial Banks  
(Volume in Millions)

Year	ECS Credit	ECS Debit	NEFT
2006-2007	69.0	75.2	4.77
2007-2008	78.3	127.1	13.3
2008-2009	88.3	160.0	32.1
2009-2010	98.1	149.3	66.3
2010-2011	117.3	156.7	132.3

Source: RBI Report

Table III shows value of electronic transactions of scheduled commercial banks. In average terms the value of ECS Credit is greater than ECS Debit though in value terms is reverse. Growth rate in case of ECS Credit in 2007-08 is higher and in later years it declined. Growth rate in 2010-11 has increased. NEFT has also increased in value terms. In 2010-11 it was Rs. 9, 39,149Cr. and in average terms it has increased at the rate of Rs. 3,63,677.4 Cr. Growth rate in case of NEFT has also increased remarkably as compared to 2007.

**Conclusions:**

Introduction of E-banking services made reducing the rusty situation for customers to visit the bank. It also made banking as User- Friendly. It reduces the usage of paper as a form of Challan by the by clerical formalities of bank sector which helpful to create a eco – friendly environment. E- Banking made transactions as digital form. Corruption and Black Money can be pointed which helps as to reduce it. Now a day's Mobile banking, online banking, Transactions notification as became a mandatory facility by banking sectors.

**Recommendations:**

In Order to increase the usage of e-banking services the bank must follow the below recommendations.

- ✓ Spreading the awareness about e- banking to the people who belongs to every class.
- ✓ Placing a demonstration campaign for a periodic interval should be maintained
- ✓ Offers to be announced to enrich the digital transactions.

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