
E-BANKING: PROBLEMS AND CHALLENGES

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ABSTRACT

Growing use of personal computers, easy access to internet and world wide web (www), has increased the use of internet Banks receiving instructions as a channel and also delivering their products and services to the customers through 'Internet banking' or 'Net Banking'. The use of ATM's lead to the concept of 'anywhere' and 'anytime' banking. One can operate his bank account to withdraw money from any of bank's ATM installed or available at the nearest site. The new banks are providing some of the services exclusively through ATM's. The aim of this report is, not only to analyze the meaning of electronic banking but also through light on the advantages and on the problems and challenges of electronic banking that the growth of electronic banking has brought about

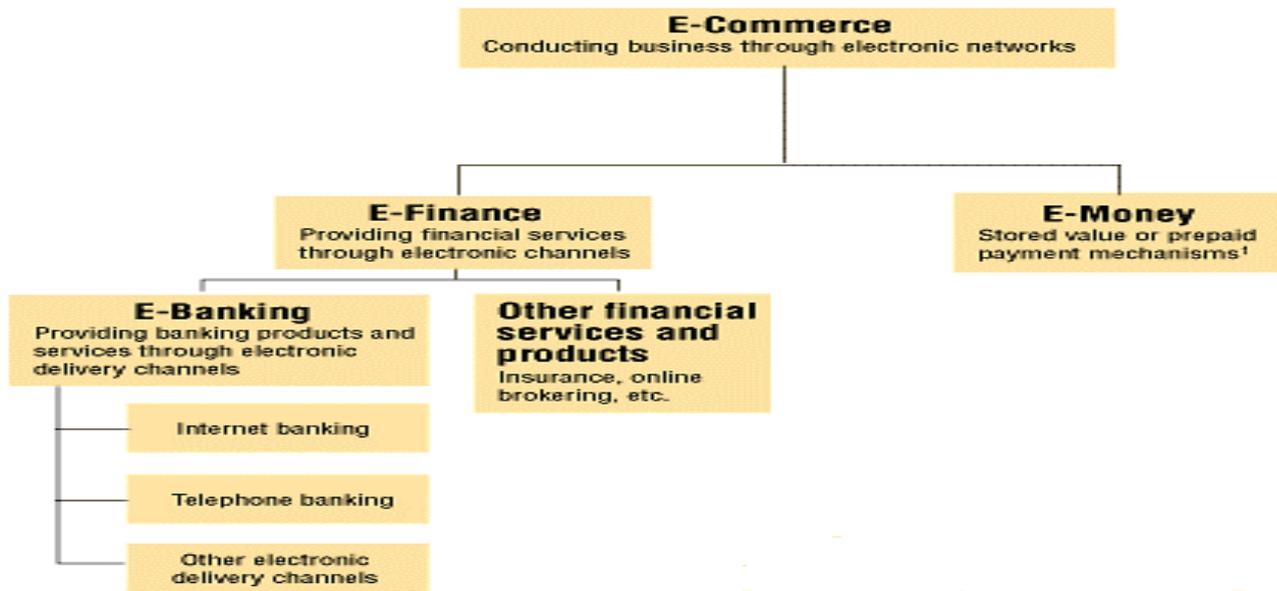
KEY WORDS: E-Banking, ATM, Internet Banking Security

INTRODUCTION

There is no denying the fact that in the past two decades information technology (IT) has been rapidly changed. Traditionally, the relationship between the bank and its customer has been on a one-to-one level via the branch network.. This was put into operation with clearing and decision-making responsibilities concentrated at the individual branch level. Demands on time as a limited resource, rising real estate expenses, changing human resource, information technology infrastructure and fierce competition are the factors forcing the banking industry to provide services to their business customers in a different way, anytime, anywhere, anyhow in what is termed as "**Boundary-less banking**". The concept of Internet banking has been evolved with the development of the World Wide Web (www). Programmers working on banking databases came up with ideas for online banking transactions, sometime during the 1980s. The creative processes of development of these services were probably sparked off after many companies started the concept of online shopping. The online shopping promoted the use of credit cards through Internet. Many banking organizations had already started creating data ware housing facilities to ease their working staffs. The development of these databases were widely used during the development of ATM's. The first online banking service in United States was introduced, in October 1994. Stanford Federal Credit Union developed the service, which is a financial institution. The online banking services are becoming more and more prevalent due to the well-developed systems.

WHAT IS E-BANKING (INTERNET BANKING)

E-banking can be defined as an automated delivery of new and traditional banking products/services directly to customers through electronic interactive communication channels. You can access funds and transfer funds between accounts, pay bills and make purchases 24 hours a day, 7 days a week



NECD OF E-BANKING IN INDIA

E-banking is the banking of modern era. The term Internet Banking or E-Banking Internet both are used as supplementary. E banking is the outcome of technological innovations and competition. E Banking refers to the banking operations, which is done over World Wide Web. That one can execute his/her banking transactions through Internet without visiting the branch. The biggest advantage of E-banking is that people can expend the services sitting at home, to transact business. Due to which, the account holder does not have to personally visit the bank. With the help of Internet, the account holder can execute banking many transactions. When small transactions like balance inquiry, record of recent transaction, etc. are to be processed, the Internet banking facility proves to be very handy. The concept of Internet banking has thus become a revolution in the field of banking and finance. For availing, the benefits of online banking one should have access to the Internet.



PROBLEMS OF E-BANKING

LOW COMPUTER LITERACY

Computer Literacy Rate in India is still very low. That is the barrier in fast acceptance of Internet Banking.

NECD OF FAST INTERNET CONNECTIVITY

For availing, the benefits of online banking one should know to access on Internet. For this, he should own a desktop, laptop and a High Speed Internet connection. This reason limits the usage of online banking, as sometimes it is almost impossible to have an Internet connection, to serve the purpose. One might also face problems if the Internet connectivity breaks down during an ongoing transaction.

RISKS

E-banking has unique characteristics of risk as compared to the traditional banking. These risks are more pronounced in the case of Internet banking. Firstly, the risk of technological changes has to be carefully watched. This is essential to update technologies and remain cost effective and customer friendly. The technologies are generally obtained from outside parties. The banks have to be careful about risks involved in such agreements. The security is an important area of risk. In fact, it will be very crucial for the expansion of Net Banking. Another important area will emerge out of cross-border

implications as 'Net Banking' breaks the geographical boundaries. Imposing regularity conditions on such transactions will be a difficult task.

CUSTOMER CARE SERVICES

While carrying out online transactions there are many instances when the banker might need help of a representative, from the bank. The brick and mortar banks have customer care representatives who are easier to talk to, but in case of online banking, in which the banks provide customer care numbers, the bankers find it difficult to get their problems solved. Sometimes there is a congestion in the network and they have to wait for sometimes, in order to talk to the bank's representative at the other end. Once the line is put through, one may either get somebody helpful and knowledgeable or may not, leaving him in a baffled and confused situation. Although online banking involves risk and imposes certain problems, there are many facilities provided by it. To avail these benefits, it is important for one to educate him about the risks, and the steps he can take to protect his financial information. It is also necessary to understand the rights and responsibilities as an online banking consumer, in order to make a difference to one's own financial well-being

SECURITY PRECAUTIONS

Customers should never share personal information like PIN numbers, passwords etc with anyone, including employees of the bank. It is important that documents that contain confidential information are safeguarded. PIN or password mailers should not be stored, the PIN and/or passwords should be changed immediately and memorized before destroying the mails. Customers are advised not to provide sensitive account-related information over unsecured e-mails or over the phone. Take simple precautions like changing the ATM PIN and online login and transaction passwords on a regular basis. Also, ensure that the logged in session is properly signed out.

CHALLENGES IN E-BANKING

Electronic banking is the wave of the future. It provides enormous benefits to consumers in terms of the ease and cost of transactions. However, it also poses new challenges for country authorities in regulating and supervising the financial system and in designing and implementing the macroeconomic policy. E-banking is a difficult business and banks face a lot of challenges.

DEVELOPMENT OF SKILLS IN BANK PERSONNEL'S

Most of the banks in India have shortage of trained bank staff. They have no proper knowledge about internet banking

CUSTOMER AWARENESS AND SATISFACTION

In today's competitive world, satisfaction of customers is a major challenge for the banking sector because customers have alternatives in various types of services provided by banks.

IMPLEMENTATION OF GLOBAL TECHNOLOGY

There is a need to have an adequate level of infrastructure and human mindset before adopt global technology for their local requirements. In developing countries, many consumers either do not trust or do not access to the necessary infrastructure to be able to process e-payments.

COMPETITION

The nationalized banks and commercial banks have the competition from foreign and new private sector banks. Competition in banking sector brings various challenges before the banks such as product positioning, innovative ideas and channels, new market trends, cross selling ad at managerial and organizational part this system needs to be manage, assets and contain risk. Banks are restricting their administrative folio by converting manpower into machine power i.e. banks are decreasing manual powers and getting maximum work done through machine power. Skilled and specialized man power is to be utilized and result oriented targeted staff will be appointed

STRENGTHENING THE PUBLIC SUPPORT

In developing countries, in the past, most e-finance initiatives have been the result of joint efforts between the private and public sectors. If the public sector does not have the necessary resources to implement the projects it is important that joint efforts between public and private sectors along with the multilateral agencies like the World Bank, be developed to enable public support for e-finance related initiatives.

CONFIDENTIALITY, INTEGRITY AND AUTHENTICATION

These three are the very important features of the banking sector and were very successfully managed all over the world before the coming of internet. Communication across an open and thus insecure channel such as the internet might not be the best base for bank-client relations as trust might partially be lost.

AVAILABILITY OF PERSONNEL SERVICES

In present times, banks are to provide several services like social banking with financial possibilities, selective up gradation, computerization and innovative mechanization, better customer services, effective managerial culture, internal supervision and control, adequate profitability, strong organization culture etc. Therefore, banks must be able to provide complete personnel service to the customers who come with expectations.

CHANGING NEEDS OF CUSTOMERS

It must be noted, however, that while e-banking provides many benefits to customers and banks, it also aggravates traditional banking risks. Compared to developed countries, developing countries face many impediments that affect the successful implementation of e-banking initiatives.

CONCLUSION

E-banking revolution has changed the business of banking by scaling borders and bringing about new opportunities. In India also, it has strongly impacted the strategic business considerations for banks by significantly cutting down costs of delivery and transactions. It must be noted, however, that while e-banking provides many benefits to customers and banks, . 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. Many people have had their account details compromised, as a result of online banking. Thus, if one is going to use it for financial transactions, he should be aware of the risks involved. Awareness of the risks and problems enables him to take precautions for a more secured online banking experience. it also aggravates traditional banking risks. Compared to developed countries, developing countries face many impediments that affect the successful implementation of e-banking initiatives



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