WWW.IJRPR.COM

International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

Impact of Online Banking in India's Financial Services

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DOI : https://doi.org/10.55248/gengpi.6.0425.1308

ABSTRACT

All around the world, including in India, electronic banking has completely changed how banking is carried out. Due to electronic banking, a wide range of financial services, including loans, investments, insurance, and current and savings accounts, are now available in a financial supermarket. Many various electronic banking products and services have been created and put into operation by Indian banks over the past 30 years. This study aims to investigate the impact of electronic banking services and products on the provision of financial services in India. The case study method was used for carrying out the investigation. Open-ended questionnaires were given to Indian bank employees and consumers in order collect data. Customers and employees of the case study institutions were interviewed in order to gather more information. The case study banks, clients, and employees who took part in the study were chosen using a straightforward and purposeful sampling technique.The study's findings showed that electronic banking has effectively changed banking in India. These days, banks offer a one-stop shop for a variety of financial services, forming what is known as a financial shopping mall. Banking has become more convenient and easy because of electronic banking. Consumers are able to perform banking operations from the convenience from their homes or workplaces. Additional advantages of electronic banking include a larger clientele, lower costs for accessing and utilizing banking services, greater convenience and time savings—transactions can be completed around-the-clock without the need for in-person interactions with the bank—and rapid and constant information access. Because they can check their accounts with a single click, customers have easier access to information. Notwithstanding these advantages, electronic banking has drawbacks of its own, such as higher computer purchasing expenses, internet connectivity issues, and a lack of human interaction.

INTRODUCTION

Globalization and technological development have altered how banking services are provided globally. Consumers' tastes and preferences have also changed in response to developing innovations in technology. Customers in the banking sector, as specifically, have grown more savvy and expect the quality, speed, and diversity of services and goods that banks provide. Over the years, banks have developed and provided a variety of technology-driven products and services for the market in an effort to satisfy the diverse preferences of their clientele and gain a competitive edge. These are commonly known as electronic banking services and products. These consist of automated teller machines (ATM's), bill payment, online banking, telephone banking, online fund transfers, electronic bank statements, and mobile banking. Numerous attempts have been made to evaluate the impact of these products and services on financial services in the majority of developed nations. However, the literature that is currently accessible to researchers in India indicates that there aren't many studies specifically focused on evaluating how electronic banking affects the provision of financial services in the country. Therefore, the purpose of this study is to analyze the electronic goods and services available in India and evaluate how they affect the provision of financial services in that country.

STATEMENT OF THE PROBLEM

India has been offering banking services through the traditional "brick and mortar" branch system. In order to do banking business, customers who needed banking services had to visit their branches and leave everything aside. This made financial services unavailable to a large number of people worldwide. The development of electronic banking has made it possible to access a wide range of financial services and products online. Therefore, a lot of products and services can currently be supplied to clients who don't need to visit the branch to obtain financial services thanks to electronic banking. This means that customers can access banking services whenever it is convenient for them, whether they are at home or at their office.

Banking has become more competitive thanks to e-banking. Consumers of banks are more selective, advanced, and demanding. Banks have made significant investments in IT infrastructure to provide a variety of products and services, such as ATM's, wireless banking, online banking, mobile banking, and more, in order to fulfill the demands and expectations of their clients.

In India, banks have created and implemented a wide range of electronic banking products. Electronic banking is seen to be popular as offering customers variety. The researchers feel that due to electronic banking has become functional for more than 30 years, it is important to evaluate the impact that these goods and services have had on the nation's banking service delivery. The purpose of this study is to analyze the different electronic banking services and products available and evaluate how they impact Indian banking operations.

OBJECTIVES OF THE STUDY

The purpose of this study is to speak about and share opinions about how electronic banking has affected Indian financial services.

The study aims to achieve the following objectives such as :

1. Determine which goods and services are offered in India using electronic banking.

2. Evaluate the impact of online banking on Indian financial services.

3. Evaluate the possibilities for online banking in India.

RESEARCH QUESTIONS

The purpose of the study is to address the following queries:

1. What kinds of goods and services can be purchased in online from India?

2. How has the provision of banking services in India been impacted by electronic banking?

3. How can electronic banking perform in India?

SIGNIFICANCE OF THE STUDY

The results of this research are expected to help banks and policymakers understand the electronic banking services and products available to consumers. The banks will also be able to determine the elements that affect their choices because of it. Banks would be better able to assess the impact of electronic banking on banking operations in India thanks to the study's findings. This will assist bankers to fully profit from electronic banking in India by guiding them in the development and application of suitable strategies.

SCOPE AND LIMITATION

This study focuses on Indian electronic banking. This study was restricted to Eco bank India, Fidelity Bank, Access Bank, and Zenith Bank due to time constraints. The nature of electronic banking at these banks will be investigated, and the impact it has had on service delivery and bank performance will be evaluated.

METHODOLOGY

Both primary and secondary data were employed in the investigation. Customers and bank representatives were given questionnaires and interviewed in order to gather primary data. Secondary data was gathered from relevant publications, literature, and bank reports.

Clients from the case study banks were chosen at random. The researchers administered questionnaires and conducted interviews with 46 bank employees and 208 consumers. Customers with electronic banking products who have visited the banking rooms were chosen for the study. Over the course of four weeks, structured questionnaires were given out on the spot in the banking hall. Responses from respondents were analyzed using descriptive analysis.

LITERATURE REVIEW

E-business, or electronic business, is a method on conducting business through the use of platforms and devices. Electronic business is the transformation of important business operations using internet technology, according to Rana Tassabehji (2003). E-business, as defined by Windrum and Berranger (2002), is the incorporation of the internet and other ICTs into traditional corporate structures. E-business, according to Schneider (2001), is also defined as commercial operations carried out by electronic data transmission technologies, like those found on the internet and the World Wide Web.

In general, electronic commerce refers to any type of transaction involving business operations, involving both individuals and organizations, that is predicated on the processing and transfer of digital data, such as text, audio, and visual pictures. The distinction between electronic business and electronic commerce is not always clear. Different people in various companies and business sectors use different phrases to express their distinct

points of view and emphasis. Van Hoeck (2001) states that "e-business is widely understood as business conducted through the internet, not only including buying and selling products, but further extended for also serving customers and collaboration with business partners."

According to Singh and Malhotra (2004), electronic banking is the provision of banking services and products to clients via electronic and communication networks. These electronic and communication networks include telephones, televisions, mobile devices, the internet, private and public networks, direct dial-up connections, and Automated Teller Machines (ATMs).

The automated provision of both innovative and conventional banking products and services to clients via interactive and electronic communication channels is another way to define it. Researchers have different definitions of electronic banking, in part because it encompasses a variety of services that allow bank customers to do most retail transactions and seek information via a computer, television, or mobile device. (1999, Daniel); Sathye (1999). Electronic banking is defined as an electronic connection between a bank and its customers for the purpose of planning, managing, and controlling financial activities (Salehi and Zhila, 2008).

Systems that allow consumers, corporations, or other clients of financial institutions to access accounts, conduct business, or get information on financial products and services via a public or private network are referred to as electronic banking. While some works confine the word to online banking (Daniel, 1999), other works limit it to retail banking (Aladwani, 2001) or both retail and corporate banking (Simpson, 2002).According to the Basel Committee Report on Banking Supervision (1998), "Electronic banking refers to the provision of retail and small value banking products and services through electronic channels." This is the most widely used definition of the term and the one utilized in this study. Account management, lending accounts, deposit taking, financial advising, electronic bill payment, and other electronic payment products and services like electronic money are examples of such goods and services.

USE OF ELECTRONIC BANKING IN VARIOUS ECONOMIES

Internet banking products differ each country. The selection of goods and services is largely influenced by the country's level of financial sophistication, internet accessibility, penetration, and economic development, as well as the degree to which the current regulatory body responds to the economic climate.

E-banking-related research has been carried out in a variety of settings. Europe has conducted a great deal of study (Daniel, 1999, Bradley and Stewart, 2003). Additionally, several studies have been conducted in Asia and Australia (Sathye, 1999; Shih and Fang, 2004; Gurau, 2002, etc.).

In the United States, electronic banking is just one of many services that many customers use. Roughly 91% of US households are said to have bank accounts, with 93% of them having at least one electronic account. Each month, 32 million Americans view at least one bill online (EFT Data Book, 2003). Different people have different ideas on how PC banking will develop in the US. While some e-banking services are still in their infancy, others are more developed, and banks are modifying their offerings to better suit the needs of their clientele.

In August 2000, more over 39.8% of all retail banking transactions took place online, making Finland a global leader in electronic banking (Minna Mattila, Heikki Karjaluoto, and Tapio Pento, 2003). The third most common payment method among Finland's senior citizens is internet banking. Online banking has grown quickly in recent years and now accounts for 55% of Finland's private banking clients (The Finnish Bankers Association, 2003; see also Nordea Oyi, 2003). According to Schneider (2001), Europe has been and continues to be the world leader in the use of online banking technologies.

According to a study on internet users by the Internet and Mobile Association of India (IAMAI), 23% of Indian internet users chose Internet banking as their preferred route, while over 53% of online users prefer ATM's. Before ATM's were invented, Indians were unaware of or unaffected by the technical advancements occurring in the financial industry. ATM's were a huge discovery for consumers since they allowed them to bypass lengthy lines in front of their bank's cashiers.

The delivery of financial services has fundamentally changed since the middle of the 1990s, moving toward self-service channels like internet banking. Researchers have examined the use of the internet and other ICT platforms in banking from both theoretical (Rollason, 1989; Zekos, 1999) and empirical (Daniel, 1999; Gurau, 2002; Bradley and Stewart, 2003) points of view.

THE CASE OF ELECTRONIC BANKING IN INDIA

Technology has come out as a key component in the growth of Indian banks in recent years. In order to provide their customers with faster, more economical service and more utility, banks have traditionally looked to the media. Their primary goal has been to provide customers with more convenient service while simultaneously boosting revenue and competitiveness. For many years, banks have made substantial use of electronic and communications technologies to further their objectives.

In India, office automation devices were the primary early applications of electronic and communications technologies. To speed up and improve the efficiency of client service, telephones, telex machines, and facsimiles were used. These continued to be the primary information and communication technologies utilized in India's banking industry for many years.

As competition increased in the 1980s, Indian banks started using personal computers (PCs) for back-office tasks, and later, tellers utilized them to provide customer service. With the development of computer technology, banks began to network their operations and branches, bringing the one-branch concept to fruition. Early adopters of this crucial electronic innovation, Barclays Bank India and Standard Chartered Bank India, fundamentally changed the nation's banking environment.

The Automated Teller Machine (ATM) has been the most important electronic invention both domestically and internationally. Customers now find ATM's more useful because banks in India that supply them are networked. 1995 saw the installation of the first ATM by Trust Bank India, which is currently a part of the Ecobank Group. The majority of the big banks soon started their ATM networks in important and competitive regions. In 2001, India Commercial Bank began supplying ATM's in partnership with Agricultural Development Bank. In India, ATM's are currently operated by practically all major banks. The most effective consumer banking delivery method in this nation has been the automated teller machine.

Recently, First Capital Plus launched a 24-hour cash deposit service they call Speed Banking. Customers can buy a scratch card (also known as a credit card) with varying values on it, text the card's serial number to the bank, and the amount on the card will be automatically deposited to their bank account. Using their mobile phones and a scratch card known as a speed banking card (SBC), users can use speed banking to instantly deposit money into their bank accounts by text message (SMS) from anywhere at any time of day.

Since ATM's have been quite successful due to their enormous usefulness, it has been acknowledged that banks may increase their profitability and competitiveness by offering their customers even more convenience. Once more, ICT came to the rescue, enabling the realization of financial services at home and in the office. Several banks in India began providing PC banking services, primarily to business customers. Customers can access their bank accounts, often through the World Wide Web (WWW), by using proprietary software that the banks give them. Banks now see the internet as a way to boost their competitiveness and revenues. In India, online banking, or i-banking, is currently available from all banks.

The convenience and speed of telephone banking have also greatly advanced. August 28, 2002 was the first day when Barclays Bank (Gh.) offered telephone banking services. Additionally, on September 19, 2002, SSB Bank opened its telephone banking service, known as "Sikatel" or "SSB Call Center." With this system, you may get reliable information on the bank's goods, customer complaints, bank statements, checkbook requests, and any other complaints or questions you may have.

In India, mobile banking has become more popular recently. India's extensive mobile phone usage is accelerating the development of mobile banking into a more accessible and convenient method of money transfers and payments. In India, banks and telecommunications networks are working together to deliver this new banking option right to consumers' doorsteps. MTN mobile money was initially introduced by MTN India, one of India's top telecom companies. Customers could use this feature to send money to someone anywhere in the nation using their mobile phones. This was done in partnership with big banks including Universal Merchant Bank and India Commercial Bank, among others.Following that evolved Airtel India, which introduced "ZAP," allowing users to transmit money and make payments using their mobile devices. Due to the lack of success with ZAP, Airtel rebranded the service as Airtel Money, which now competes well with MTN Mobile Money. Tigo has since included "Tigo Cash." These are all ways to use a mobile phone to send money.

DISCUSSION OF FINDINGS

According to information obtained from bank employees and clients, banks already offer a variety of electronic banking services, such as ATMs, phone banking, internet banking, SMS banking, local and international transfers, bill payments, balance inquiries, and electronic bank statements. Additional services provided by banks include investments, current and savings accounts, lending facilities, insurance, and mortgage services (a relatively recent trend that is becoming more popular in India). E-banking has changed Indian banking from a financial intermediary to a service provider, according to the study. Banks have developed what is sometimes referred to as a financial shopping mall by offering a one-stop shop for a variety of financial services. The product offerings of Indian banks have expanded thanks to electronic banking.However, the study discovered that some electronic banking services and products that are unavailable in India are found in industrialized economies. To name a few, these are Millicent Digital, virtual pins, cyber coins, electronic wallets, and electronic cash.

The impact of electronic banking on Chennai financial services was found to have increased the variety of goods and services available. Customers can now select the things they desire thanks to e-banking. In Chennai, electronic banking has given users the freedom to select the time, location, and method they want to utilize to receive financial services. According to the study, long lines that were common in Chennai's banks seem to have decreased, which is related to the country's computerized banking system. Few clients were waiting in lines to be serviced at the case study banks, according to our trips there.

Electronic banking has simplified and improved banking. Instead of spending long hours engaged in traffic, customers can now do banking transactions from the convenience of their homes and businesses. A large number of people nationwide now have access to financial services. In the past, people had to travel great distances to obtain banking services, which were mostly available in cities and metropolitan centers. These days, clients can access banking services from a variety of locations throughout the nation with just a single click. Thus, a large number of Chennaiians now have access to banking services.

Electronic banking is now more accessible in Chennai because to the introduction of mobile phones. Since mobile phone ownership has increased dramatically in recent years, more people may now access electronic banking via their phones than ever before, in contrast to desktops.

Banking services are being delivered at ever-increasing speeds to serve various customers in numerous locations.

When a transaction occurs on an account using electronic banking, customers instantly obtain information. To ensure that customers' accounts are updated as soon as a transaction is made, for instance, practically all banks provide SMS alerts to account holders.

The productivity of banks, transactions, cashier production, customer service, and bank services have all significantly improved as a result of electronic banking. Over time, more and more clients have started using electronic banking services. Therefore, the number of people in Chennai who have access to financial services has increased as a result of electronic banking.

Bank costs have decreased thanks to electronic banking. Banking services may now be provided more quickly and effectively with fewer employees.

The level of customer care has increased significantly as a result of electronic banking. Customers can easily compare and select from a variety of services and products offered by various banks with a single click. Banking is now more complicated and competitive because to electronic banking.

It has been found that the branch's amount of routine tasks, such as creating statements, balancing inquiries, and requesting check books, rises in direct proportion to the number of clients. The bank's ability to guarantee the consistency and quality of service at the branch is seriously threatened by this. Thus, the bank is able to lessen the volume of regular financial transactions at the branch by using the internet. For branches that serve a lot of clients, this is incredibly helpful.

According to the study, electronic banking is progressively establishing a paperless banking system. An electronic banking system has replaced the manual one, in which bank employees had to sift through enormous amounts of files and documents. For instance, electronic bank statements are now provided to clients by all banks. Bank statements are now only sent manually or on paper upon request. Establishing call centers to handle consumer inquiries and issues is a developing trend among Chennai's banks. Banks in Chennai are now in a healthy competitive environment thanks to electronic banking. Another consequence of electronic banking is that transactions are finished quickly, which cuts down on wait times in the banking hall.

The study discovered several drawbacks to electronic banking despite its benefits. The security of accounts has been noted as one adverse effect. Nearly 80% of consumers said they were concerned about hackers gaining illegal access to their accounts and using their money. Customers said that even though banks have legitimate security certifications and customer authentication, any systemic breach brought on by identity theft might cause major issues for both the bank and the customer. It might take months or even years to fix corrupted client data. Customers pointed to the increasing quantity of fraudulent emails as a major obstacle to Chennai's electronic banking system. Just 20% of consumers stated they had no concerns about security.

The study found that daily internet access is becoming more difficult for Chennai consumers. Due to power disruptions caused by Chennai's ongoing power rationing, customers may not be able to access their accounts to conduct banking transactions.

According to the survey, using electronic banking would cost consumers more because it requires them to have personal computers, internet connectivity at home, and computer skills in order to use the products and services.

Regarding Chennai's e-banking possibilities, the study found that banks need to assess their strategic position in the near future, determining which course to take and then analyzing the features of their rivals' websites. The survey also discovered that offering cutting-edge technology-oriented services or services that are specially bundled through the website will give businesses a long-term competitive edge. Banks will have to concentrate their internet technology strategy in the future in order to either hold onto their positions or be compelled to make mergers or purchases.E-banking will become even more popular in the future as banks continue to innovate in combining their services and finding new ways to offer them, such as using new technology, wireless connection, and mobile banking.

Additionally, it should be mentioned that physical banking facilities will remain in existence for the foreseeable future at the very least. Although e-banking will continue to develop and evolve, consumers still need to know that there is a human face behind the screen because they still need the personal touch that comes with face-to-face interaction. Future technological developments will have a significant impact on e-banking's future. One thing is for sure: it will keep coming up with innovative ways to supply banking services.

In Chennai, the majority of financial transactions are now completed online. Digital cash is used to conduct transactions like transfer payment instructions, financial instruments, and even value itself. This has a significant positive impact on the banking sector and the overall national economy.

In many countries, there has been a lot of governmental and regulatory activity in the past several years to address the many complexity and innovations brought about by electronic banking. Chennai passed legislation pertaining to electronic communications and transactions in 2008

CONCLUSION

Electronic banking has completely transformed the banking industry in Chennai, transforming it from a financial intermediary to a financial shopping mall that offers a variety of financial services in one convenient location.

E-banking lowers expenses by offering financial services more quickly and cheaply while using fewer employees. For consumers, electronic banking has brought diversity. Consumers have the freedom to select the product, the time, the location, and the means of accessing the service or good.

Financial institutions are using electronic banking to cut expenses by eliminating the need for employees to provide in-person customer service. One way that banks might get a competitive edge is through electronic banking. For the bank to maintain its future development and profitability level, the internet is consequently a crucial medium that gives it a competitive edge.

The challenges include reducing the high rate of illiteracy, strengthening government and public support for e-banking, adjusting global technology to local needs, building the IT infrastructure required to advance e-banking delivery in Chennai, and, most importantly, addressing customer security concerns.

In the time being, electronic banking will surely continue to provide new avenues for banking services to be delivered.

Banks could use improved marketing and incentive programs to try to activate more deposit schemes through their e-banking services.

RECOMMENDATIONS

In Chennai, there are a number of electronic banking options that are unavailable. To help Chennai consumers compete in the global market, it is advised that banks in Chennai increase their efforts to offer the entire spectrum of electronic banking services and products found in developed nations. Digital wallets, virtual pins, cyber coins, electronic currency, and Millicent digital are a few ideas.

To address the concerns of customers using electronic banking, banks need to set up a dedicated customer care division. Online shoppers won't have to go to the banking hall to get their problems fixed as a result of this.

Customers of banks must be educated not to share their passwords or customer identification numbers with outside parties. Additionally, customers might be taught to change their passwords on a regular basis.

In order to give consumers continuous internet connection, banks should work with the government to resolve the present power outage.
To increase internet connectivity nationwide and hence improve accessibility, the government must increase its efforts on national fiber optic projects.

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