



## **E-Banking : Benefits and Challenges**

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### **Introduction:**

The term e-banking or electronic banking refers to all transactions between companies, institutions and individuals and their banking institutions. Beginning in the 1970s, some banks offered electronic banking in 1985. However, the lack of Internet users and the lack of costs associated with using online banking increased. In the late 1990s, the Internet explosion made people more comfortable dealing with the web. Despite the dot com crash, e-banking grew on the Internet. The present article reviews the benefits of e-banking system, challenges and measures for secure internet banking.

### **Objective of the Study:**

1. To study the present scenario of E-Banking system.
2. To study the challenges of E-Banking system.
3. To suggest ways to measures for Internet banking safely.

### **Research Methodology:**

The research paper is based on secondary data. Information is obtained from reference books, various journals, theses, newspapers and related texts for the present research paper.

### **Meaning of E-Banking**

E-Banking is a part of e-commerce in which conducting business through

electronic network. E-Banking is providing banking products and services through electronic delivery channels such as internet banking, telephone banking and other electronic delivery channels.

- The activity of managing a bank account or operating as a bank over the internet.
- The process or activity of managing bank accounts or operating as a bank over the internet:
- A method of banking in which the customer conducts transactions electronically via the Internet.

### **History of E-banking:**

Financial institutions took steps to implement e-banking services in the mid-1990s. In the United States, large-scale electronic access was credited to trailblazing companies like Amazon.com and eBay to pay for things online. By 2000, 80 percent of Americans in the U.S. offered e-banking. Consumers' use of e-banking increased gradually. In 2001 Bank of America and more than 20% of its customers preferred online banking.

### **E-Banking in India:**

The traditional system of banking in India started with branch banking. With financial reforms in 1991, the banking industry also saw a new wave of banking practices. The Saraf Committee set up by the RBI in 1994 recommended

introduction of Electronic Fund Transfer System (EFT), Electronic Clearing Services and expansion of Magnetic Ink Character Recognition (MICR) beyond metropolitan cities and branches. In 1996, ICICI Bank was the first bank to introduce online banking services. Which became the pioneer of e-banking in India. Following her initiative, Citibank, IndusInd Bank and HDFC Bank provided internet banking services in 1999. Various Initiatives Both the Government and the Reserve Bank have taken measures from time to time to facilitate the expansion of e-banking in India. 2000 The Government of India enacted the IT Act which provided legal recognition to Electronic Media Electronic media.

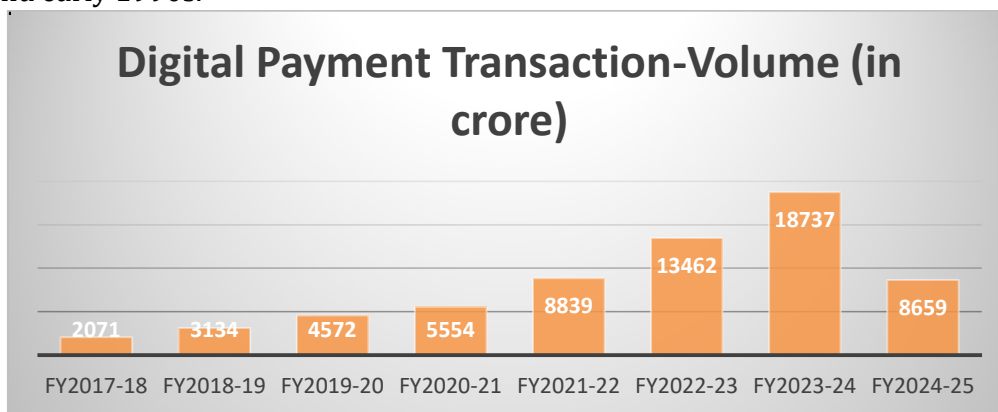
India's new significant technological development in payment systems is witnessed by:

- Card-based payments come - debit cards, credit cards - in the 1980s and early 1990s.

- Introduction of Electronic Clearing Service (ECS) in late 1990s
- Introduction of Electronic Fund Transfer / Special EFT in early 2000
- Real Time Gross Settlement (RTGS) was introduced in March 2004
- Introduction of NEFT (National Electronic Fund Transfer) 2005/06
- Introduction of CTS (Check Inspection System) in 2008.

**Growth in Digital Payment Transactions:**

Digital payments in India have witnessed significant growth, with the total number of digital payment transactions volume increased from 2,071 crore in FY 2017-18 to 18,737 crore in FY 2023-24 at Compounded Annual Growth Rate (CAGR) of 44%. Furthermore, during the last 5 months (April-August) of the current financial year 2024-25 (till 31 Aug.2024), the transaction volume has reached to 8,659 crore.



Source: NPCI, RBI & Banks

The value of transactions has grown from ₹1,962 lakh crore to ₹3,659 lakh crore at CAGR of 11%. Additionally, in the last 5 months (April-August) of the current financial year 2024-25, the total transaction value has surged to an impressive ₹1,669 lakh crore.

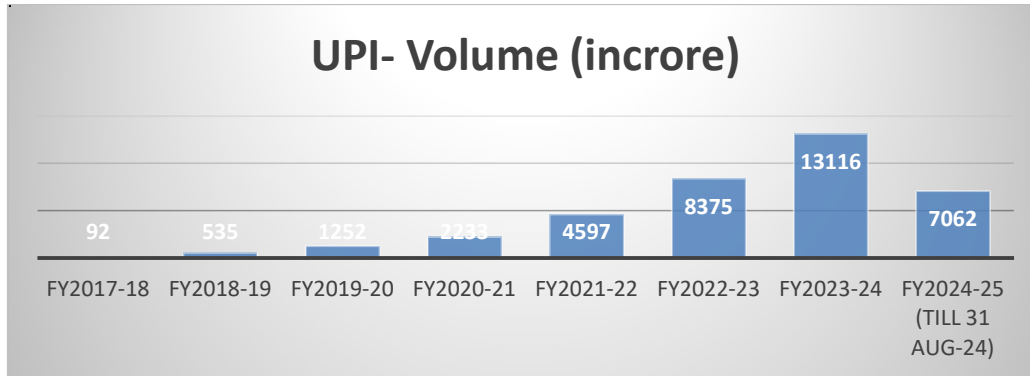
**UPI's Continued Success:**

UPI remains the cornerstone of India's digital payment ecosystem. UPI has revolutionised digital payments in the country, UPI transactions have grown from 92 crore in FY 2017-18 to 13,116 crore in FY 2023-24 at CAGR of 129%. Furthermore, during the last 5 months

(April-August) of the current Financial Year 2024-25, the transaction volume has reached 7,062 crore.

The ease of use facilitated by growing network of participating banks

and fintech platforms, has made UPI the most preferred mode of real-time payments for millions of users across the country.



Source: NPCI

The value of UPI transactions has grown from ₹1 lakh crore to ₹200 lakh crore at CAGR of 138%. Additionally, in the last 5 months (April-August FY2024-25), the total transaction value has surged to an impressive ₹101 lakh crore.

**Difference between Traditional Banking and E-Banking:**

For comparison and contrast between these two models of banking a remarkable point is that Electronic

banking is active and futuristic but traditional banking, conservatively tries to decrease costs in different ways while Electronic banking, provides service and tries to improve his work , customer satisfaction and increase the income giving services and getting wages.

Therefore, main goal in Electronic banking is bank income growth by giving different services. In the following table we have compared the features of traditional banking and Electronic banking.

<b>Traditional Banking</b>	<b>Electronic Banking</b>
<ul style="list-style-type: none"> <li>• Proved offers limited coverage</li> <li>• Conventional practice does not provide an appropriate marketing tool.</li> <li>• Conventional methods involve a time-consuming process.</li> <li>• Conventional banking methods do not fully screen banking transactions.</li> <li>• Bank officials are required to process paperwork which increases both time and cost.</li> <li>• In a traditional business, one needs to keep cash at all times.</li> <li>• E-banking practices include global reach while sitting at home/office.</li> <li>• Marketing of e-banking products / schemes provides easy online access.</li> <li>• E-banking has no limitations as there</li> </ul>	<ul style="list-style-type: none"> <li>• Home/office based e-banking practices include global reach.</li> <li>• Marketing of e-banking products / schemes provides easy online access.</li> <li>• E-banking has no limitations as there is no need to stand in huge queues.</li> <li>• Fraud and errors can be reduced through inter-branch transaction switching system.</li> <li>• Stout and time can be reduced or everything needs some distance and large paper work.</li> <li>• E-Banking provides cashless banking, plastic plus (ATM, credit card available).</li> </ul>

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**Advantages of e-banking:**

E-banking offers many advantages to the bank and the customer. E-banking has made life easier for customers and banks and banking is faster.

The main advantages are as follows.

- This saves time spent in banks
- It provides an avenue for international banking.
- It provides 24/7 day banking throughout the year from any location with internet access.
- It provides streamlined cash management for internet optimization
- It facilitates capital, labor, time and all the resources required for the transaction.
- By leveraging integrated banking services, banks can compete in new markets, acquire new customers and expand their market reach.
- Provides customers with certain security and privacy by using sophisticated encryption and security technologies.

**Challenges of Electronic Banking System:**

**Some Challenges of Electronic Banking System:**

**Challenges facing the system:**

- Plan and study adequately for new technologies.

- Lack of choice in how technology works with high efficiency.
- Lack of culture and banking knowledge about electronic banking.
- Lack of investment of bank management in the system.
- Lack of management to utilize IT department expertise.
- Traditional approach to data redistribution
- Financial criteria and risk mitigation for the use of electronic banking systems.

**Operating system challenges:**

Deprivation of available facilities

- Money without protection
- Special organizations or lack of their support, CA, gateway organizations such as PS3 and Visa
- Lack of content and customer interest

**Challenges after the arrangement:**

- Loss of legal rights and electronic justification
- People don't want to disclose their financial policies
- Lack of motivation and culture training
- Lack of confidence among users
- Lack of electronic security etc.

**What to do in case of online banking fraud in India:**

Internet data has become a breeding ground for cyber criminals to

commit online crimes like theft and hacking. Criminals are targeting online banking facilities, credit/debit/ATM cards, payment gateways and other net banking technologies for illegal transactions. According to a recent survey, cyber crimes are among the most common crimes in India.

### **Online Banking Fraud in India:**

Online banking and mobile banking are done online and by bankers through e-banking or net banking transactions by bank and a user and by account holders. The most common types of banking fraud in India are:

- Debit or credit card cloning.
- Stolen credit or debit card
- Stolen PIN number or banking password.
- Phishing or scams provide information to customers themselves.
- Hacked accounts and mobile apps.
- Stolen CVV and OTP number

### **Measures for Internet banking safely:**

The following tips for online banking security will prevent potential risks.

**1. Don't use a public computer to log into net banking:** If you use a public computer, there is a risk of your login credentials being compromised. However, if you must log in from such a location, you should clear the cache and browsing history and delete all temporary files from the computer. Also, don't let the browser remember your ID and password. Or just stay secret.

**2. Change your password regularly and make sure it's strong:** It may sound confusing but it's important to help you keep your account safe and private. And

needless to say, do not share your information with anyone. Your bank will never ask for your confidential information over the phone or email. If you write down your banking password in a notepad or diary, make sure it remains confidential.

Next, make sure to choose a strong and long password. For added security for financial transactions through internet banking, create and save a separate password for log-in and transactions.

**3. Avoid signing-in to your net-banking account through mail:** It is always safer to type the bank URL instead of redirecting to a promotional mail or any third-party website. As mentioned earlier, the bank will never ask you for your account login credentials. So, if you have fraudulent emails, you are offered to redirect to your bank's website and after clicking on the landing page, when you enter your personal details, your login credentials are at risk of being stolen. So, if you receive an email from a bank asking for details, be suspicious.

**4. Avoid using public Wi-Fi or use VPN software:** The biggest danger of free Wi-Fi networks is that a hacker can sit between the end user and the hotspot and find all the data without any problem. Hackers see an unsecured connection as an opportunity to introduce malware into your device. Hence, avoid using public Wi-Fi hotspots for internet or mobile banking and paying on ecommerce sites.

However, if you are a regular public Wi-Fi user, consider setting up VPN software on your computer. It creates a secure tunnel between the computer and the Internet and prevents hackers from intercepting the traffic.

**5. Check for the latest updates to your smartphone's operating system:**

Smartphone users should ensure that their operating system is updated with the latest security patches and updates. They should also remove security controls from the phone called 'jailbreaking' or 'rooting'. Apps should always be restricted considering what apps need to be installed on apps that are really needed.

**6. Always use genuine anti-virus software:**

Use genuine anti-virus software to protect your computer from phishing, malware and other security threats. Anti virus helps detect and remove spyware for your sensitive information.

**7. Subscribe for Mobile Notifications: If you haven't already, do it now.**

This notification will quickly alert you to any suspicious transactions. If the transaction exceeds or is within the specified limit, you will receive an alert that tells you the remaining account balance. Not only transactions but the bank will also alert you about failed login attempts in your net banking account.

**8. Check your account periodically:**

Many banks have their 'last login' or 'login history' tabs on their websites. So, if you notice an irregularity, you can change

your password and contact your bank immediately.

**Conclusion:**

E-banking is an unchanging event that accelerates the upcoming year will be strengthening the e-banking system to convert digitization of Indian economy and India into a cashless society. Many banks in India, including State Bank of India, HDFC and ICICI, are charging cash transactions at some extent.

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