



# Significance and Capacity of Banking

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**Abstract:** *E-banking, sometimes referred to as online banking, virtual banking, or internet banking, is a system that makes it possible to conduct financial operations like money transfers, loan and EMI payments, cash deposits, and cash withdrawals electronically through the use of the internet. E-banking is essential to today's banking functionality. In comparison to physical banking, it is assumed that electronic banking is safer and more secure. Compared to traditional banking, it ensures high-quality banking operations. In India, e-banking is still in its infancy as a field of growth and development. The banking industry has seen changes as a result of competition and technological advancements. The goal of the current study is to describe the current state of e-banking in India and to look at its prospects and difficulties. The banking industry is increasing client happiness and loyalty with the use of e-banking. Banks should give convenience to their consumers, which includes providing service through a variety of distribution channels and making it easy for users to access online services.*

**Keywords:** Internet, electronic payments, problems, and opportunities related to e-banking

## I. INTRODUCTION

Modern banking has gotten simpler, making it safer for customers to put their hard-earned money in their bank accounts. Everything can now be done with the press of a mouse, and people don't even need to wait in long lines to transfer money from one account to another. Debit cards, credit cards, e-wallets, online banking, mobile banking, and other choices are now available to customers in place of more conventional methods of transaction.

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## II. LITERATURE REVIEW

Following is an attempt to present a succinct summary of the literature based on a few similar studies conducted globally in the field of e-banking.

In an effort to assess the development and difficulties of e banking in India from 2011 to 2016, Ansari, Seharish J., and Khan, Nisar A. (2017) also shed some light on the state of retail electronic payments in the aftermath of demonetization. According to their analysis, there were 3,424,971,237 internet users in 2016 compared to 2,231,957,359 users in 2012, an increase of almost



53.45%. Additionally, from 31.8% in 2011 to 46.1% in 2016, the population's proportional use of the internet has increased.

Chauhan, V., and Chaudhary, V. (2015) emphasised on the idea of internet banking and its advantages from the perspectives of consumers and banks, as well as the existing internet banking landscape. The biggest growth rate from 2010 to 2014 was 495.64% for mobile banking, while the lowest growth rate from the same period was 11.07% for credit cards. Transactions using RTGS and NEFT were at 89.29% and 602.69%, respectively. They came to the conclusion that while the majority of banks have introduced e-banking services that are advantageous to both consumers and the banks, there are still concerns about safety, security, and dependability that the banks must address.

Ratna Manikyam (2014) examined the effects of globalisation, privatisation, and liberalisation on Indian banks, as well as the opportunities and difficulties that resulted. The survey found that the largest banking issues were faced by the general public and businesses, and that Indian banks needed to provide differentiated offerings in order to compete with global banks. The report also stressed the importance of creating knowledge-driven businesses to survive the competition from banks around the world.

Robert Seranmadevi (2012). Due to their increased accessibility, cost, and usability, many e-Banking services may be alluring to potential customers. Additionally, it emphasises the operation of electronic credit cards, their usage patterns, methods of payback, and value-added services provided alongside them for various clientele groups.

### III. RESEARCH METHODOLOGY

This study examined e-banking utilising primary data. As an online questionnaire was prepared we devised the research relevant questions and distributed them to the participants so they could record their responses.

#### 3.1 Objectives of the Study

Understanding the principles of e-banking and researching the state of financial innovation in the Indian banking industry are two important goals.

- To research the difficulties with e-banking.
- To research the various e-banking opportunities.

#### Definition and Concept of E-banking:

E-banking is also referred to as online banking (Hertzum et al., 2004)

E-banking, which involves both individual and corporate clients and includes bank transfers, payments and settlements, documentary collections and credits, corporate and household lending, card businesses, and some others, is frequently referred to as retail or wholesale banking services that are offered over the internet, according to UNCTAD (2002).

Many banks began to see web-based banking as a strategic necessity in the late 1990s. Banks looked towards web-based banking as a means to keep their clients and foster loyalty. The



procedure through which a customer can conduct financial transactions electronically without going to a physical location is referred to as "electronic banking."

### **3.2 Present Status of E-Banking in India**

In India, e-banking is now an essential component of the financial system. Prior to the 1990s, branch-based banking, or the traditional form of banking, predominated. However, following that time, non-branch banking services were introduced.

The ICICI Bank is the first entity to receive credit for introducing internet banking in India. In 1999, Citibank and HDFC Bank launched their own internet banking services.

The IT Act, 2000 was passed by the Indian government and went into effect on October 17, 2000. It gave e-commerce and other forms of electronic business legal legitimacy. To guarantee that e-banking develops along sound lines and that issues relating to e-banking do not endanger financial stability.

In India in 2016, there were 1337310 points of sale and 196079 ATMs. E-banking is one of the efforts Indian commercial banks have adopted to deal with the challenge of escalating competition. Being leaders in the use of e-banking, newly founded private sector and international banks have faced particularly fierce competition.

According to the RBI, the payment systems saw a significant increase in volume of 26.2% over the previous year, which was on top of the growth of 44.2%.

The following are some of the most important details:

1. About 67% of the POS terminal market is made up of private sector banks, while 27% is made up of public sector banks. Foreign banks made up 1% of the market, while payments banks held a 5% stake.
2. As of March 2021, there were 960.25 million cards in use worldwide. Out of which, there were 62.05 million credit cards and 898.20 million debit cards, both of which saw YOY increases of 8% and 7%.
3. In the nation, there were 2.20 billion prepaid payment instruments. Prepaid cards made up 189.93 million of those, and mobile wallets made up nearly 2.01 billion.
4. 1.13 billion transactions of INR 411.75 billion were made using mobile wallets in the first quarter of 2021. This includes paying for goods and services and transferring money via wallets.
5. Wallet transactions are consistently increasing.
6. Consumers made 8.32 billion mobile payments, compared to over 937.60 million Net Banking and browser-based transactions. Mobile transactions were 31.98 trillion INR while internet transactions totaled 131.34 trillion INR in value.
7. P2P transactions made up 55% of the entire amount of UPI transactions, while P2M transactions made up 45%. (Person-to-Merchant). It recorded over 2.73 billion transactions and crossed the INR 5 trillion value threshold
8. In Q1 2021, there were 90.71 million transactions processed by the Bharat Bill Payment Central Unit (BBPCU), with a total transaction value of INR 134.70 billion. In terms of volume and value, it showed growth rates of 99% and 129% over Q1 2020, respectively .



### 3.3 Challenges in E-banking

In India, e-banking is still in its early stages of development. Many of these are fundamental services. New competitors can enter the financial services markets effectively solely because of the liberalisation of the e-banking sector and the advent of new banking technology. The functionality of e-banking services has improved, however perception rules must be acknowledged.

1. Risk associated with security: For banks, this issue has grown to be one of their top priorities. Due to uncertainties and security worries, many clients choose not to use e-banking services. 43% of internet users in India don't use internet banking due to security concerns, according to the IAMAI Report from 2006.
2. The Trust Factor: For the majority of clients, trust is the main barrier to using internet banking. Due to a lack of confidence in online security, clients prefer traditional banking. They believe that because internet transactions are dangerous, fraud can happen. Many questions come up in customers' minds when utilising e-banking services, such as: Did the transaction go through? How many times did I press the transfer button? One of the key elements that affects customers' propensity to trade with online retailers is trust
3. Customer Education: Consumers are becoming more knowledgeable about the features and processes of e-banking. In the context of India, still on the low side. Banks are unable to properly share information. covers the functionality, advantages, and use of internet banking.

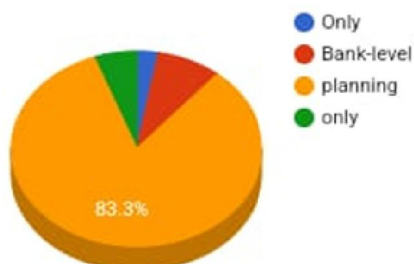
### 3.4 Opportunities in E-banking

1. Untapped Rural Markets
2. Multiple Channels
3. Competitive Advantage
4. Increasing Internet Users & Computer Literacy
5. Worthy Customer Service

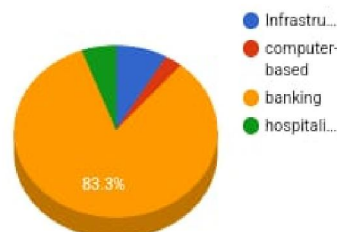
## IV. FINDINGS AND CONCLUSION

### 4.1 Finding

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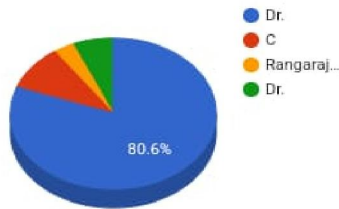


ATMs are primarily used for performing the functions.

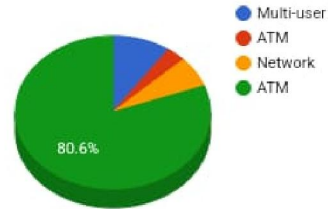




The committee was set up to study bank computerization under.



In the early 1990s, which type of ATMs makes their appearance in India?



## 4.2 Conclusion

The banking sector in India has fully embraced digitalization, which is necessary to offer customers better services. Online banking, which enables consumers to carry out a variety of financial and non-financial operations via a bank's websites, is one of the most significant banking channels. Among the many services offered are debit/credit cards, e-cheques, UPI, mobile banking, ATMs, internet banking, SMS banking, and ATMs.

## V. SUGGESTION

In today's globalised world, e-banking is a significant contributor to the progress of the banking sector by taking crucial issues and challenges the Indian banking industry can improve customer fidelity to the banking industry. Through training and development, the banking process can be made easier and more comfortable for the customer. Younger generations are beginning to grasp the benefits and simplicity of banking. In the coming years, e-banking will become widely acknowledged in India in addition to becoming a preferred way. Private sector banks make up a higher portion of the POS terminal market than public sector banks. Prepaid payment instruments are primarily in the nation via mobile wallets.

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