

## **Internet Banking in India: An Overview**

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### **Abstract**

Increased competition, globalization and Information Technology are the important factors that have forced Banks to change. Demand for financial products is changing rapidly and customer behavior regarding these products is also changing, with the passing of the traditional banking sector to Internet banking, new strategies have become necessary in order to attract new customers and retain existing customers. This study will review available sources and studies conducted in this field, and seek to find out the main factors and challenges in the development of Internet banking after a long period of adoption in India.

### **Introduction**

Information Technology has become a necessary tool in today's organizations. 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 (Roshan et al., 2012). IT has introduced new business paradigm. It is increasingly playing a significant role in improving the services in the banking industry. Indian banking industry has witnessed a tremendous developments due to sweeping changes that are taking place in the information technology. The term "Internet Banking" has been used in literature in many different ways, partially because Internet Banking refers to several types of services through which banks' customers can request information and carry out most retail banking services via the internet, television or mobile phones. Internet Banking means providing banking products and services directly to customers through electronic, interactive communication channels. Internet Banking is defined as the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels, Internet Banking includes the systems that enable financial institution customers, individuals of businesses, to access accounts, transact business, or obtain information on financial products and services through a public or private network, including the Internet. Customers access Internet banking services using an intelligent electronic device, such as a personal computer, personal digital assistant, automated teller machine, Touch-tone telephone. While the risks and controls are similar for the various e-banking access channels, this booklet focuses specifically on Internet-based services.

### **Internet Banking in India**

Internet banking in India emerged in mid nineties as newly introduced private sector banks came up with a new business model revolving around a strong information technology (IT) backbone. Internet bank in India was initiated by ICICI bank, a private bank, in 1998.

Following this, a large number of government banks as well as private banks opted for offering internet banking service (kesharwani et al.,2007).The number of bank customers who uses internet banking as one of the medium to perform banking activities has also been continued to grow (Malhotra and Singh,2007). This growth

and success over the last decade has posed a strong competitive pressure on remaining Indian banks (government/public sector/private sector) to respond immediately to remain competitive (Kannabiran and Narayan, 2009). This competitive pressure has led the way for banks to go for IT as a strategic tool to examine the recent development in the banking industry and understanding its impact on banking relationships. Now banking in India is not only confined to brick and mortar banks where customers have to visit the branch in person to withdraw or deposit cash/cheque, make a request for account statements, and many more. Today, through internet banking, most of the banking services (like account enquiry, cash withdrawal, third party transfer, bill payments, book tickets, mobile recharge, etc.) can be accessed online anytime and anywhere customer want. Nonetheless, the success (or failure) of new technology depends on the extent to which it is adopted (or rejected) by consumers at large. In his study (Gupta, 2008).reported that most of Indian banks are confronting two major challenges in integrating IT into their business activities both as an operational necessity and as a strategic tool. Thus, in addition to the factors that facilitate internet banking usage, it is more important to identify factors that are roadblocks to internet banking usage in India.

### **Features of Internet Banking**

Features of Internet banking according to study conducted by Baten (2010) are as follows.

- + Internet Banking reduce rush at the counters of the bank
- + Internet Banking enables the customers of the bank to access information from anywhere and at any time
- + Through Internet Banking, customers can view balance and transaction history any time
- + Banking customers can transfer funds to anywhere through Internet banking
- + Banking customers can Pay bills with BPAY through Internet Banking
- + Through Internet banking Customers can Receive bills online with BPAY view
- + Banking customers can pay payments any one through Internet Banking
- + Banking customers can receive SMS banking services through Internet Banking

### **Review of Literature**

Bindiya et al., (2011) explores that all the banks are using information technology as a strategic vehicle to stay competitive against other players. Banking technology helps in increasing customer satisfaction, customer loyalty, improvised growth, and performance of the banks. The perception of Indian customers towards the use of technologies with respect to factors such as convenience, privacy, security, ease of use, real time accessibility, and accurate record of varied transaction that enable customer's adoption of Banking Technology. Other factors such as slow transfer speed, technical failure, frauds and unawareness among customers that make hindrance in adoption of internet banking were also explained, in this study. Further, the results of this work show that demographic variables such as gender, age, qualification and income play a positive role in adoption of banking technology.

Mohammad et al., (2012) have reported that e-banking services are being used with increasing frequency in most countries. Electronic banking enhances the development of the banking system, and it is considered as a strategic weapon for banks. Although it provides various benefits for both banks and customers, low level of customers' adoption of electronic banking services is noted in Jordan. However, electronic banking services cannot achieve expected benefits if it is not used by

banking customers. A research model was developed through integrating TAM with TBP and incorporating five cultural dimensions and perceived risk to provide a comprehensive investigation the results of the study revealed that perceived usefulness and perceived ease of use has a positive and significant impact on customers' attitude toward electronic banking services. Banks should make electronic banking services more useful and usable. They could achieve this by increasing the customers' awareness of the usefulness of using electronic banking services through advertising and long-term customer services, this study used a cross-sectional design. One possible direction for future studies is to conduct a longitudinal study to see whether the variables and their relationships are consistent with time. Second: this study used Hofstede's national cultural framework.

Margaret et al.,(2000) reports that intention to adopt Internet banking services can be predicted by attitudinal and perceived behavioral control factors, but not by subjective norms. The attitudinal factors that are significant include relative advantage; compatibility with respondent's values, experience, and needs; trial ability; and risk. Although the findings of this study show that perceived complexity has a negative relationship with adoption intentions, this relationship is not significant. One possible reason is that since Internet banking in Singapore is relatively new, most Internet users have yet to try it. As a result, they are unable to effectively assess the complexity of using such systems and the influence that such complexity may have on their intentions. The results of this study have also shown that there are other factors besides attitudinal ones that can help us to better understand the adoption intentions of Internet banking. Two additional influencing factors (subjective norms and perceived behavioral control) proposed by (Ajzen, 1985). in the theory of planned behavior, were included in this study. Although subjective norms were not found to significantly influence adoption intentions, perceived behavioral control dimensions were nonetheless found to have significant influences. In particular, self-efficiency toward using Internet banking services and the facilitating condition of perceived government support for Internet commerce, were both found to significantly affect intentions to adopt Internet banking services

Lichtenstein et al.,(2006) reports key findings from an interpretive study of Australian banking, that an understanding of how and why specific factors affect the consumer decision whether or not to bank on the Internet, in the Australian context. A theoretical framework is provided that conceptualizes and links consumer-oriented issues influencing adoption of internet banking. This study also provides a set of recommendations for Australian banks. Specifically, the findings suggest that convenience is the main motivator for consumers to bank on the internet, while there is a range of other influential factors that may be modulated by banks. This study also highlight increasing risk acceptance by consumers in regard to internet-based services and the growing importance of offering deep levels of consumer support for such services. Gender differences are also highlighted. Finally, this study suggests that banks will be better able to manage consumer experiences while moving to Internet banking if they understand that such experiences involve a process of adjustment and learning over time, and not merely the adoption of a new technology.

Ming et al., (2008) studied that online banking (Internet banking) has emerged as one of the most profitable e-commerce applications over the last decade. Although several prior research projects have focused on the factors that impact on the adoption of information technology or Internet, there is limited empirical work which simultaneously captures the success factors (positive factors) and resistance factors

(negative factors) that help customers to adopt online banking. Further this study explores and integrates the various advantages of online banking to form a positive factor named perceived benefit. In addition, drawing from perceived risk theory, five specific risk facets – financial, security/privacy, performance, social and time risk – are synthesized with perceived benefit as well as integrated with the technology acceptance model (TAM) and theory of planned behavior (TPB) model to propose a theoretical model to explain customers' intention to use online banking. The results of this study indicated that the intention to use online banking is adversely affected mainly by the security/privacy risk, as well as financial risk and is positively affected mainly by perceived benefit, attitude and perceived usefulness.

Thompson et al.,(2011) explored a research framework based on the theory of planned behavior (Ajzen, 1985). and the diffusion of innovations theory (Rogers, 1983). was used to identify the attitudinal, social and perceived behavioral control factors that would influence the adoption of Internet banking. The results revealed that attitudinal and perceived behavioral control factors, rather than social influence, play a significant role in influencing the intention to adopt Internet banking. In particular, perceptions of relative advantage, compatibility, trial ability, and risk toward using the Internet were found to influence intentions to adopt Internet banking services. In addition, confidences in using such services as well as perception of government support for electronic commerce were also found to influence intentions.

Schenck,(2013) studied that SWOT analysis gives businesses a unique way of re-evaluating their positions. "The ideal outcome of a SWOT is accurate data that can be utilized to create a solid action plan for addressing a weakness and threats, and highlighting or positively exploiting your strengths and opportunities. This analysis leads to business awareness and is the cornerstone of any successful strategic plan," said Bonnie Taylor, vice president of strategic marketing at CCS Innovations. "It is impossible to accurately map out a small business's future without first evaluating it from all angles, which includes an exhaustive look at all internal and external resources and threats.

### **Objectives of the Study**

➤ To know the Strength, weakness, opportunities, threats of Internet Banking in India

### **Research Methodology**

The primary source of the information in this research study is the secondary data. The available information on internet regarding the Internet Banking, available Journals, Articles, papers provided necessary information to complete this study.

### **SWOT Analysis of Internet Banking**

SWOT is accurate data that can be utilized to create a solid action plan for addressing a weakness and threats, and positively exploiting your strengths and opportunities (Schenck and Giangrande, 2013).This analysis leads to business awareness and is the cornerstone of any successful strategic plan. (Taylor, 2013) vice president of strategic marketing at CCS Innovations."It is impossible to accurately map out a small business's future without first evaluating it from all angles, which includes an exhaustive look at all internal and external resources and threats.

Strength	Weakness	Opportunities	Threats
<p>According to Taylor, (2013) following are the strengths of Internet Banking in India</p> <ul style="list-style-type: none"> <li>✚ Development of the existing standards of banks</li> <li>✚ Strong regulatory impact by central bank to all the banks</li> <li>✚ Presence of intellectual capital to face the change in implementation with good quality</li> <li>✚ Fully computerized and techno savvy</li> <li>✚ A person can access his account from anywhere he is</li> <li>✚ A person can do banking transactions like funds transfer to any account, book ticket, bill pay at any time of the day</li> </ul>	<p>According to the study conducted by Karimzadeh,(2012) Weakness of Internet Banking In India are</p> <ul style="list-style-type: none"> <li>✚ Electricity problems stops whole process</li> <li>✚ Poor technology infrastructure</li> <li>✚ Ineffective risk measures</li> <li>✚ Easy Access of internet banking account by wrong people through email ids</li> <li>✚ When the server is down the whole process is stops</li> </ul>	<p>Opportunities of Internet banking in India according to Schenck, (2013) are</p> <ul style="list-style-type: none"> <li>✚ Advancement of technologies, strong asset base would help in bigger growth</li> <li>✚ Safety of using internet banking is robust, so more internet banking users in future</li> <li>✚ The international scope of internet banking provides new growth perspectives</li> <li>✚ Internet Banking is a catalyst for new technologies and new business processes</li> <li>✚ Increasing risk management expertise</li> </ul>	<p>Threats of Internet Banking In India according to the study conducted by Majid, (2012) are</p> <ul style="list-style-type: none"> <li>✚ Internet Banking needs huge investment in technologies</li> <li>✚ Internet banking is being replaced by mobile banking</li> <li>✚ Banks provides all services through electronic computerized machines and this creates problems to the less educated people</li> <li>✚ Inability to meet the additional capital requirements</li> </ul>

### Inference of SWOT Analysis

With the growth of internet at a rapid pace and the people’s time constraints, internet banking is widely used for all the banking transaction purpose all over the world. Banking working hours is not limited to internet banking as the banking account can be accessed throughout the day.

### **Advantages**

The advantages of internet banking according to study conducted by Jayshree (2013) are listed below:

- + Internet Banking is hassle free
- + Internet Banking saves hours of time
- + Internet Banking has greater reach to customers
- + Internet Banking has ability to understand its customer needs
- + Customers are given access to information easily across any location through Internet Banking
- + Internet banking is convenient
- + There are no geographical barriers in Internet Banking
- + Through Internet Banking customers can get quarterly statements from the bank, transferring funds to outstation
- + Internet Banking Services can be offered at a miniscule cost
- + Internet Banking eliminates the use of paper and replaces it with computer screens
- + No need to stand in line at the bank, because all you have to do is log on to the internet access your account

### **Difficulties**

According to the Study Conducted by Hawkins (2002) and Kurnia et al. (2008) following are the Difficulties associated with Internet Banking in India

- + Uneducated people can't use Internet banking
- + Security also continues to remain major issues especially in the case of corporate, as bulk transactions are done in a day
- + The infrastructural costs of providing such services are quite high
- + Delay in fund transfer
- + When server downs the whole process stops
- + Electricity problem makes whole Internet Banking to stop
- + Technical problems occur sometimes which affect customers badly
- + Late processing also sometimes in some services create a hurdle causing delay
- + Hacking of Banking account by un authorized persons is main difficulty in the way of Internet Banking

### **Suggestions**

The following are the suggestions for the further improvement of Internet Banking in India

- + Banks should provide the services in different languages
- + Banks should maintain electrical system in proper way
- + Banks should organize special demos for less educated customers
- + All the complaints felt by the customers should be considered with seriousness and solution based approach to keep them satisfied in long run
- + The bank should extend their tie-up contracts with other various institutions whether financial or non-financial for convenience of its customers
- + Bank should extend the technology which is used in internet banking in order to remove the difficulties

### **Conclusion**

Internet banking has become a necessary survival weapon and is fundamentally changing the banking industry worldwide. Today, the click of the mouse offers

customers banking services at a much lower cost and also empowers them with unprecedented freedom in choosing vendors for their financial service needs. The rise of Internet banking is redefining business relationship with the customers. The International scope of Internet banking provides new growth perspectives and Internet business is a catalyst for new technologies and new business processes. The reach of Internet banking has rapidly increased due to the Telecommunication Infrastructure development in India.

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