

# Problems And Prospects Of E-banking Services – A Study In Nagpur city

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## Abstract

Banking is one of best and biggest service sector in India. The growth of Indian banking industry has been more qualitative than quantitative. The present scenario is concerned in the banking industry in India going through a modern phase namely e-banking. E – Banking is slowly substituting use of cheques, pay-in-slips, drafts and most importantly customers personally dropping into the floors of banks. The mobile banking has accrued in revolutionary changes where in customers can operate the bank accounts through mobile phones from anywhere. To avoid fraudulent transactions and to provide more transactions are ensuring all security measures. The technological innovations combined with revolutionary changes in the communication industry has provided and created congenial ground for successful E – Banking. The survey conducted in Nagpur city with the total sample size of 100 bank officers and 100 customers. E- Banking is adopted by customers through ATM but a major portion has not experienced online shopping as main reason for non-patronization of E – Banking is illiteracy and fear of losing money when E – Banking is practiced.

**Keywords:** E – Banking, ATM, Mobile Banking, Internet Banking, Information Technology

## 1.0 Introduction

A recent trend in the Indian banking system is highly diversified activities by providing a length of financial services within the bank themselves or the subsidiary route. In the present context e – banking is one of the modest practices and e-banking as a new phase in retail banking services reduces time and cost to banker and customer in respect of balance inquiry, inter account transfers, utility bills payment, request cheque book and obtaining statement of account . The competition between physical market and virtual market is getting intense with revolution in the field of electronic communication. Of late banking companies are thinking about switching their businesses from the physical to virtual market. The subsystems in bank- deposit collections, arrangements for payments and transfer of funds, management of investment portfolio and loan management are getting digitized. Concomitantly e-banking is getting simplified and internalized in the banking system. Trust, security and safety are the most challenging all time issues for the banks. Since inception banks are effectively handling these challenges, hence, banks are blooming. The time tested adaptation of banks in the evolutionary process has given much required edge to the bankers. Banks began online banking business with Automated Teller Machine (ATM)

and now package of services such as RTGS, NEFT, M-Banking and Internet banking as major tools in e-banking. Online banking is helping banks in the process of customer experience engineering.

### **Concept of E Banking**

What is E-banking? Electronic Banking in simple terms means, it does not involve any physical exchange of money, but it's all done electronically, from one account to another, using the internet. For busy executives, students, and homemakers, E-banking is a virtual blessing. No more taking precious time off from work to get a demand draft made or a Cheque book issued. Banks offer internet banking in two main ways. An existing bank with physical offices can establish a website and offer internet banking to its customers in addition to its traditional delivery channels.

Internet banking" refers to systems that enable bank customers to access accounts and general information on bank products and services through a personal computer (PC) or other intelligent device. E-banking refers to the system that enables the banks to offer their customers access to their accounts, transact business and obtain information via electronic communication channels; these channels can be Automated Teller Machines (ATMs), tele-banking, home-banking and internet banking (Turban, 1999). Banks have now been able to provide single window system for quick delivery of services to their customers, where one can deposit cheque, receive payment, deposit cash etc all at one place.

#### **1.1 Review of literature**

Commenting on the innovation, Professor L S Ganesh (2010), Coordinator of the programmer, said, "At IIT Madras, the Department of Computer Science and Engineering and the Department of Management Studies got particularly interested in designing an internet security technology that is cost efficient and easy to use in a rapidly growing E-commerce scenario, and transferring it commercially. We chose the Cost-Usability-Security (CUS) approach to arrive at a solution and Polaris Software created an eminently usable application for the banking industry. IndusInd Bank, which was looking for providing greater security for web based transactions, became the first organization to adopt it."

Malhotra, Pooja & Singh, B. (2010), This study is an attempt to present the present status of internet banking in India and the extent of internet banking services offered by internet banks. In addition, it seeks to examine the factors affecting the extent of internet banking services. The data for this study are based on a survey of bank websites explored during July 2008. The sample consists of 82 banks operating in India at 31 March 2007. Multiple regression technique is employed to explore the determinants of the extent of internet banking services. The results show that the private and foreign internet banks have performed well in

offering a wider range and more advanced services of internet banking in comparison with public sector banks.

ICMR (2010) the research organisation stated that, the most significant benefit of internet banking is the ready accessibility of bank accounts at all times. The inconvenience of visiting and waiting at the banks is also eliminated. This result in enhanced customer satisfaction reduced customer attrition and increased customer base. Internet banking considerably reduces transaction costs for the banks.

Ankit Kesharwani & Gajulapally Radhakrishna (2013) In their research paper “Drivers and Inhibitors of Internet Banking Adoption in India”. This paper research on different banks is on condition that e-banking services, as this would revolutionize their profits. This paper has reviewed the most of seminal studies in the area of diffusion of innovation and makes an attempt to do an experimental research that looked into the factors that drives and inhibits internet banking usage in India. An investigative factor analysis followed by a positive factor analysis has been applied on 362 internet banking users. Findings resulted in seven factors – perceived benefit, hacking and fraud risk, performance risk, computer selfefficacy, technology intricacy, social influence, and pricing concerns. The results suggest that acceptance and usage of internet banking services can turn into a fundamental concern for future research, as the drivers overcoming the inhibitors over time at an influencing rate

Rakesh H M & Ramya T J (2014) In their research paper titled “A Study on Factors Influencing Consumer Adoption of Internet Banking in India” tried to examine the factors that influence internet banking adoption. Using PLS, a model is successfully proved and it is found that internet banking is influenced by its perceived reliability, Perceived ease of use and Perceived usefulness. In the marketing process of internet banking services marketing expert should emphasize these benefits its adoption provides and awareness can also be improved to attract consumers’ attention to internet banking services.

## 1.2 Objectives of the Study

- 1] To study the various problems faced in adoption of E- banking services in Nagpur city
- 2] To study various e-banking services / products provided by Banks in India.
- 3] To suggest for the effective use of e-banking.

## 1.3 Research Methodology

The study focuses bank officers and customer perceptions and problems and prospects of E - Banking services in Nagpur city, based on a survey conducted on Public Sector Banks and Private Sector operating in

Nagpur city. The study based on descriptive research with a total sample size of 200 respondents i.e., 100 bank officers and 100 bank customers. The study intends to confined awareness and problems related to e – banking facilities.

Statistical Tools Used: The data collected from various sources were analysed by applying appropriate mathematical and basic statistical techniques along with percentage analysis.

Primary Data: Primary data is one which is collected specifically for the purpose of the research and can be obtained from various people working in the organization. For this study the primary data was collected from following sources namely Questionnaires and Discussion with bank customers and employees.

Secondary Data: For this study the secondary data was collected from the following sources namely books related to E-Banking, published and unpublished documents and related websites

#### 1.4 Limitations of the Study

- Sample size was limited to 200 only. The sample size may not represent whole market.
- This study is limited to the customers in Nagpur city only. Therefore the inferences cannot be generalized.
- Respondents may have given the bias response of questionnaire.

#### 1.5 Data Analysis

Table No. 1: Socio – Economic Profile of Bank Customers

Sr. No.	Contents	No. of Respondents	Percentage
1	Type of Banks		
	Public Sector Banks	58	58%
	Private Sector Banks	35	35%
	Foreign Banks	7	7%
2	Age		
	Below 25	18	18%
	26 – 35	51	51%
	36 - 45	21	21%
	46 and above	10	10%
3	Gender		
	Male	65	65%
	Female	35	35%

4	Profession		
	Service	32	32%
	Business	29	29%
	Student	22	22%
	Housewife	12	12%
	Retired	5	5%
5	Education		
	Below SSC	5	5%
	SSC – HSC	7	7%
	Graduate	58	58%
	Post Graduate	20	20%
	Profession	10	10%

Source: Primary Data- Survey

Table no.1 showing details of socio-economic profile of 100 respondents as bank customers in Nagpur city, type of bank, age, gender, profession and education of respondents.

Table No. 2: Respondents utilizing E-Banking Services

Response	No. of Respondents	Percentage
Yes	100	100%
No	0	0%

Source: Primary Data- Survey

Table no. 2 showing respondents utilize e-banking services in Nagpur city. 100% respondents are using e-banking services.

Table No. 3: The Transactions For Which Bank Customers Often Use E-Banking Services.

Sr. No	Responses	No. of respondents
1	Withdrawal	100
2	Deposits	0
3	Balance Inquiry	95
4	Pass Book updation	0

5	Cheque / Demand Draft	0
6	Investment	2
7	Bill payment	45
8	Money Transfer	46
9	Repayment of Loan	12
10	None of these	0

Source: Primary Data- Survey

The above table revealed the data about the transactions for which bank customers often use E-banking services. Withdrawal has 100 (100%) use of E-banking services. It is because more use of ATM cards for withdrawal. Deposit has not any response because it is done through traditional ways. For balance enquiry responses are 95(95%) because it is done with the help of ATM cards. Pass book updation and cheque/DD have not any responses from customers. Investment has 24(24%) responses. Bill payment has 45(45%) responses from customers. 46(46%) money transfers are done with the help of E-banking platform by the customers. 34(34%) customers use E-banking services for repayment of loan. After analyzing this data, we can say that customers use more ATM cards for withdrawal and balance enquiry than any other E-banking services. So, banks should have to take more efforts to make popular these services among the customers.

Table No. 4: Satisfaction About Performance Of Each E-Banking Service

Sr. No	Responses	Highly Satisfied		Satisfied		Neutral		Dissatisfied		Highly Dissatisfied	
1	ATM	2	2%	73	73%	08	08%	17	17%	0	0%
2	Credit Cards	6	6%	9	9%	3	3%	0	0%	0	0%
3	Internet Banking	22	22%	22	22%	2	2%	0	0%	0	0%
4	Mobile Banking	12	12%	13	13%	2	2%	0	0%	0	0%
5	Tele Banking	3	3%	7	7%	1	1%	0	0%	0	0%

Source: Primary Data- Survey

The above table is about the satisfaction level of customers about E-banking services. For ATM, responses 02(02%) are highly satisfied, 73(73%) satisfied, 08(08%) no opinion and 17(17%) are dissatisfied. For

credit card responses 06(06%) are highly satisfied, 09(09%) satisfied and 03(03%) have no opinion. For Internet banking responses 22(22%) are highly satisfied, 22(22%) satisfied and 02(02%) have no opinion. For Mobile banking responses 12(12%) are highly satisfied, 13(13%) satisfied and 02(02%) have no opinion. For Tele banking responses 03(03%) are highly satisfied, 07(07%) satisfied and 01(01%) has no opinion and for All E-channels 02(02%) are satisfied and 02(02%) have no opinion. After analyzing this data, it is a win-win situation for all E-channels. But only ATM has more use than any other E-channels. So, Banks should try to make popular other E-channels like Internet banking and Mobile banking.

Table No. 5: Problems Of E-Banking Services

Sr. No	Responses	No. of respondents	Percentage (%)
1	Limited scope for personal advice on banking transactions	5	5%
2	No direct communication with the bank because of computerized transactions	7	7%
3	Sometimes problematic for transactions	53	53%
4	Fear about security of the transactions	97	97%
5	Lack of knowledge about computerized transactions	98	98%
6	Any other	0	0%

Source: Primary Data- Survey

The above table describe that the data about customers views about problems of E-banking services. There is limited scope for personal advice on banking transactions think 05(05%) customers. 07(07%) customers think that there is no direct communication with the bank because of computerized transactions. 53(53%) customers think it is sometimes problematic for transactions. 97(97%) customers afraid about security of the transactions. 98(98%) customers have lack of knowledge about computerized transactions.

Table No. 6: Reasons of Not Using Online Banking

Sr. No	Responses	No. of respondents	Percentage (%)
1	Security issues	13	13%
2	How to use	22	22%
3	No Internet	12	12%
4	High charges	7	7%
5	Complicated	16	16%
6	Trust on Internet	0	0%

7	Any Other	0	0%
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Source: Primary Data- Survey

The above table revealed that 22% customers are not using Online banking due to lack of awareness, while 16% feel online banking is complicated, whereas 13% due to security issues, 12% because of no internet, and 7% due to high charges.

Table No.7 : Suggestions of respondents E-Banking

Sr. No	Responses	No. of respondents	Percentage (%)
1	Conduct more training programmes for bank customers	85	85%
2	Demo Classes or fares regarding e-banking services	3	3%
3	Information at the bank counter	0	0%
4	More advertisements and awareness programmes	12	12%
5	Any Other	0	0%
	TOTAL	100	100%

Source: Primary Data- Survey

The above table revealed that 85% customers suggests to conduct more training programmes for bank customers, while 12% recommends for More advertisements and awareness programmes, whereas 3% demo Classes or fares regarding e-banking services

1.7 Table No. 1: Socio – Economic Profile of Bank officers / employees

Sr. No.	Contents	No. of Respondents	Percentage
1	Type of Banks		
	Public Sector Banks	50	50%
	Private Sector Banks	50	50%
2	Age		
	Below 25	0	0%
	26 – 35	24	24%
	36 - 45	55	55%
	46 and above	21	21%

3	Gender		
	Male	80	80%
	Female	20	20%

Source: Primary Data- Survey

Table no.1 showing details of socio-economic profile of 100 respondents as bank employees in Nagpur city, type of bank, age, gender.

Table No. 2: Bank Employees Preferences about E-Banking Services Cost Effective And Affordable

Sr. No	Responses	No. of respondents	Percentage (%)
1	Strongly Agree	60	60%
2	Agree	40	40%
3	Neutral	0	0%
4	Disagree	0	0%
5	Strongly disagree	0	0%
	<b>Total</b>	<b>100</b>	<b>100%</b>

Source: Primary Data- Survey

The above table describes that, 60% bank officers strongly agree that e-banking is cost effective and affordable while 40% of employees agree whereas 0% are neutral, disagree and strongly disagree.

Table No. 3: Bank Employees opinion about knowledge of E-Banking Services to customers

Sr. No	Responses	No. of respondents	Percentage (%)
1	Strongly Agree	10	10%
2	Agree	30	30%
3	Neutral	25	25%
4	Disagree	35	35%
5	Strongly disagree	0	0%
	<b>Total</b>	<b>100</b>	<b>100%</b>

Source: Primary Data- Survey

The above table describe that, 35% bank officers disagree that customers is having knowledge about e-banking while 30% of employees agree whereas 25% are neutral, and 10% strongly agree.

Table No. 4: Problems Faced By the Bank While Implementing Core Banking/E-Banking Solution

Sr. No	Responses	No. of respondents	Percentage (%)
1	Huge Investment in Infrastructure	65	65%
2	More dependency on outside service providers like BSNL / MINL	75	75%
3	Complex and costly software and hardware is used	20	20%
4	Highly qualified professionals are to be employed due to this salary burden increases.	75	75%
5	Difficult to detect the problem because number of stages are involved	40	40%
6	Customers were not ready to use core banking services	70	70%

Source: Primary Data- Survey

The above table describes that, 75% bank officers responds that major Problems Faced By The Bank While Implementing Core Banking/E-Banking Solution is More dependency on outside service providers like BSNL / MINL and Highly qualified professionals are to be employed due to this salary burden increases respectively while 70% of employees responds Customers were not ready to use core banking services whereas 65% employees responds that Huge Investment in Infrastructure and 40% and 20% employees responds that Difficult to detect the problem because number of stages are involved and Complex and costly software and hardware is used respectively.

Table No. 5: Problems Which Bank Managers Generally Face While Dealing With Customers to Use Various E-Banking Services

Sr. No	Responses	No. of respondents	Percentage (%)
1	Illiteracy	80	80%
2	Increasing expectations of customers	25	25%
3	Lack of trust	35	35%
4	Lack of knowledge regarding how to use/operate the ebanking services	65	65%
5	Problem of security	65	65%

6	Resist to change and adopt new trends	80	80%
7	Unawareness among the customers	45	45%

Source: Primary Data- Survey

The above table describes that, 80% bank officers responds that problems which bank managers generally face while dealing with customers to use various e-banking services is Illiteracy and Resist to change and adopt new trends respectively while 65% of employees responds Lack of knowledge regarding how to use/operate the e banking services and Problem of security respectively whereas 45% employees responds that Unawareness among the customers and 35% problem due to Lack of trust and remaining 25% problem due to Increasing expectations of customers.

Table No. 6: Suggestions Which Can Be Helpful To Provide Efficient E-Banking Services

Sr. No	Responses	No. of respondents	Percentage (%)
1	By creating awareness among the bank employees	30	30%
2	By providing variety of services according to customer requirements	25	25%
3	By making convenient accessibility of e-banking services	10	10%
4	By using effective ways to deliver e-banking services	20	20%
5	By making employees behavior more polite and friendly towards customers	5	5%
6	By assisting and helping to the bank customers to choose best e-banking services	10	10%
	<b>Total</b>	<b>100</b>	<b>100%</b>

Source: Primary Data- Survey

The above table describes that, 30% bank officers suggests that creating awareness among the bank employees will provide effective e-banking services while 25% of employees responds providing variety of services according to customer requirements whereas 20% employees responds using effective ways to deliver e-banking services and 10% recommends that making convenient accessibility of e-banking services and assisting and helping to the bank customers to choose best e-banking services respectively and remaining 5% responds that by making employees behavior more polite and friendly towards customers

## 1.6 PROBLEMS OF THE E-BANKING:

### I. Bank officer's point of view

- 1] Due to technical requirement and insufficiency, frequent problems arise like data backup problems, antivirus updation problems etc
- 2] Bank employees lack thorough knowledge of technology which they are using as there are constant upgrades in software and hardware. They have to keep pace with this fast changing environment
- 3] Bank employees have no direct interactions with the customers. So if customer or bank employee has certain problem then it happens to be hectic job, that's why interaction build positive environment and it is very important for banking in India
- 4] Security threat, hacking are the major challenges for the banks. Hackers always try to enter into servers of the banks and try to steal important and private information about the bank like customer private information, account information, passwords etc. is serious threat to that banking system and employee trustworthiness.
- 5] In recent years banking activities are increased. The burden of work of bank employees is also increased. They have to keep pace with changing banking activities and policies. Every month there are new announcements from RBI. All this should have to be implemented right from the next day. So they have to remain alert every time. This can increase the mental stress of the employees.
- 6] Technology updation is regular process. Banks should have to remain alert about these frequent changes in software and hardware. Also changes in technology means staff should have to be trained in this changing atmosphere. That's why all this process increases the expenses of the banks in huge manner.
- 7] Banks have to employ highly qualified professionals and hence salary burden increases

### 1.7 Bank customer's point of view:

- 1] Bank customers think that there is limited scope for personal advices on banking transactions. They have to do more efforts at their level for solving these problems.
- 2] In E-banking scenario it happens to be no direct communication with the bank employees.
- 3] Bank customers have fear about security of their transactions. They feel that because of computerization their money can easily transferred to others account if their password gets mishandled.
- 4] Bank customers lack knowledge about computerized transactions. They have not enough technical knowledge to handle these transactions.
- 5] E-banking services have more service charges than traditional banking services. Customers have to pay more for using E-banking services.

- 6] In recent years, there is increase in phishing attacks, email from an unexpected source and malicious code. RBI received lot of complaints regarding cyber attacks on the customer's accounts

### 1.8 Suggestions to enhance E – Banking Services

- ✓ The primary focus of banks should be on ensuring reliable service delivery through investing on and implementing right technology.
- ✓ Banks should improve the system security in ATM location and at the same time, they must educate their customers about using their cards with due caution and about the risks involved while transacting through cards.
- ✓ Banks using internet as a medium for financial transaction must have proper information technology equipments and systems in place to build a secured environment for every transaction.
- ✓ Banks should take necessary measures to Improve banking services and Service Quality.
- ✓ Banks should organise meetings with the customers to educate them regarding the use of e-banking services securely.
- ✓ Programmes like customer awareness programmes, customer motivation programmes, customer training programmes etc. should be conducted by the banks regularly after some duration. This is ultimately beneficial for the banks and customers for their future.

### 1.9 Conclusion

A study on problems and prospects of e-banking services of customer perceptions has clearly portrayed that there is significant patronized for e – banking in the present day context. E-banking in India is only at its primordial juncture dominated by the Indian private and foreign banks and now a day's public sectors bank also bestow e-banking services. The utilization of online banking or internet banking is cramped to a few customer lump. With the time, the concept of internet banking has got attention in the Indian context. Most of the banks have already implemented the e-banking facilities, as these facilities are beneficial to both i.e. banks as well as consumers. The banks are facing many challenges and many opportunities are available with the banks. Many financial innovations like ATMs, credit cards, RTGS, debit cards, mobile banking etc. have completely changed the face of Indian banking. Thus, there is a paradigm shift from the seller's market to buyer's market in the industry and finally it affected at the bankers level to change their approach from

"conventional banking to convenience banking" and "mass banking to class banking". The shift has also increased the degree of accessibility of a common man to bank for his variety of needs and requirements. In years to come, e-banking will not only be acceptable mode of banking but will be preferred mode of banking.

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