



Problems And Prospects Of Electronic Banking

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ABSTRACT

The main aim of this paper is to examine the problems and strategies of electronic banking in India. For this purpose, the researcher used primary data, the primary data have been collected from 100 respondents by employing random sample technique method and analyzed using ANOVA for single factor. The study concludes that except one attribute, customers have no problem with internet banking and the strategies adopted directly influence customer satisfaction.

Key words: Electronic banking, Strategies, customer satisfaction

1. Introduction

The economic development of a country is contributed largely by the development of banking sector. It's through banks that a country gets fuel for its wheels. Fund collection and fund distribution is the key role of banks. Savings of general public are being collected to boost the developmental activities.

In recent years, electronic banking is booming. Every type of bank whether scheduled or commercial or co-operative or private sector or foreign banks for that matter are being exposed to the electronic era. They are necessitated to adopt e-banking to provide uninterrupted banking services to their customers.

Electronic banking is the medium that enables customers to conduct banking transactions online. This allows customers to perform their banking business from any place with the use of internet. Services such as fund transfer, balance enquiry, bank account statement, applying for loan, applying for cheque book, bill payment, opening a bank account and many more can be performed at the fingertips of customers conveniently.

Providing paperless transaction is the main advantage of electronic banking. This has helped banks to reach their customers overcoming geographical hurdles. Physical bank branches are not today's requirements as the electronic banking provides many services at the ease of customers. Electronic banking services are of many types- ATM, debit card, credit card, mobile banking, tele banking, electronic cheque, electronic data interchange, internet banking, smart card, electronic fund transfer, electronic clearing system etc. These services are helping banks to increase their business thereby supporting them to face competition.

Based on its present adoption rate and popularity, online banking is expected to grow in terms of both scope and user base in the future. Not many options will truly remain for people and companies who have not yet accepted it as a commercial instrument. Currently, business inquiry, confirmation, order placing, and bill payment through traditional channels are, at best, archaic. The speed (and labour savings) at which the same tasks may be completed online cast the traditional approaches entirely in the shadow (Shukla & Shukla, 2011).

Importance of electronic banking in India

Electronic banking plays a significant role in the Indian economy, contributing to its growth and development in several ways:

- 1. Financial Inclusion:** India has a vast population, including many residing in remote or rural areas with limited access to traditional banking services. Electronic banking, particularly through mobile banking and digital payment systems, has played a crucial role in promoting financial inclusion by providing access to banking services to previously underserved populations.
- 2. Efficiency and Convenience:** Electronic banking offers convenience and efficiency to both consumers and businesses by enabling them to conduct banking transactions anytime, anywhere. This has reduced the need for physical visits to bank branches, saving time and effort for customers and reducing operational costs for banks.

- 3. Digital Payments:** India has witnessed a significant shift towards digital payments in recent years, driven by initiatives such as the Unified Payments Interface (UPI), Bharat Interface for Money (BHIM), and Aadhaar-enabled payment systems. Electronic banking has facilitated the adoption of digital payment methods, reducing reliance on cash transactions and promoting a more transparent and efficient payment ecosystem.
- 4. Promotion of Cashless Economy:** Electronic banking has played a crucial role in the government's efforts to promote a cashless economy and curb black money and corruption. Initiatives such as demonetization and the introduction of digital payment platforms have encouraged individuals and businesses to adopt electronic banking services.
- 5. Boost to Small and Medium Enterprises (SMEs):** Electronic banking provides SMEs with access to a wide range of financial services, including loans, payment processing, and cash management tools. This enables SMEs to streamline their operations, improve cash flow management, and access funding for business expansion.
- 6. Enhanced Security and Transparency:** While electronic banking poses security challenges, advancements in technology have also improved security measures, such as encryption, biometric authentication, and fraud detection systems. This enhances the security and transparency of financial transactions, instilling confidence among users.
- 7. Economic Growth and Development:** By promoting financial inclusion, digital payments, and efficient banking services, electronic banking contributes to overall economic growth and development. It facilitates smoother financial transactions, encourages entrepreneurship, and fosters innovation in the financial sector.

Electronic banking has become an integral part of the Indian economy, driving financial inclusion, promoting digital payments, and enhancing the efficiency and transparency of financial transactions. As technology continues to advance and regulatory frameworks evolve, electronic banking is expected to play an even more significant role in shaping the future of India's financial landscape.

2. Review of literature

Rao et al., (2022) One can manage their funds more conveniently, even from the comfort of their bedroom, with e-banking. Nonetheless, it still poses problems for both personal privacy and financial security. Online banking has resulted in the compromise of account details for many individuals. As a result, if someone plans to use it for financial transactions, they should be informed of the hazards. Being aware of the issues and hazards allows him to take preventative measures for a safer online banking experience. Evidence also suggests that banks are putting more effort into their marketing campaigns to raise consumer awareness of e-banking and its advantages, which is crucial for the uptake of e-banking services. E-banking has a bright future since more consumers are realising its benefits.

Gupta & Islamia, (2008) There are numerous risks connected with Internet banking, which the banks must simulate by implementing complex technology and sophisticated processes. The existing legal framework needs to be updated in order to simplify and address the problems pertaining to online banking. In order to maximise value to the consumer, the functional model can be utilised to prioritise perception variables pertaining to consumer behaviour. The banks can concentrate on targeted customer segments to optimise their online banking earnings. Global economic experiences indicate that banks cannot escape the Internet banking phenomenon; yet, in order to obtain a competitive edge, they need to adapt their business models to Indian circumstances.

Ashok & Vinay, (2016) In its early stages, Indian private and international banks dominated the e-banking market; however, public sector banks are increasingly offering e-banking services as well. Due to the widespread use of online and internet banking, banks must emulate this trend by implementing sophisticated systems and making significant use of technology. Reputable banks ought to concentrate on targeting specific consumer segments in order to optimise their online banking earnings. E-banking has been increasingly popular due to its time-saving features, transaction security guaranteed, flexibility, and convenience.

Boro, (2015) In a few major towns, like Guwahati, Shillong, Aizwal, and Sikkim, the availability of point-of-sale (POS) machines in shopping centres and other establishments for ATM card payments, a multitude of technological use of innovation is increasing. Banks have created One Time Passwords (OTP) mechanisms for all users in order to combat security problems (such as phishing and frauds) of consumers using various technological delivery channels, such as internet and mobile banking. The Northeast region's limited trade has prevented IT advancements from becoming widely adopted thus far. The majority of rural population in North East India is unaware of the key benefits of technology developments like e-banking, which is why the practice has not gained much traction there due to lack of knowledge.

Agwu, (2012) The study showed that both banks and consumers saw online banking as a way to cut costs. In addition, it is time-efficient and has no regional restrictions. However, small firms see it as an additional

expense in regarding the purchase and upkeep of computer equipment by private citizens and small enterprises. The results also showed that, although most users believe that internet banking services have more drawbacks than benefits, the majority of customers who have used them think that they have a lot of potential. This is primarily because of concerns about security and privacy on the one hand, and a lack of telecommunications infrastructure on the other.

Electronic banking has got both benefits and threats. Overcoming geographical restrictions, convenient banking operations, tech savvy, low cost, paperless transactions, less pressure are some of the light throwing advantage of electronic banking. Security and safety issues, literacy of customers, accessibility to electronic equipment, internet facility etc are some of the issues that are faced while doing electronic banking business. Sometimes these issues over shadow the advantages that are offered by electronic banking. The paper attempts to examine the problems of customer in usage of electronic banking services and to analysis the strategies for future improvement in electronic banking.

Research hypothesis

1. H₀- Customers do not have any problems with reference to internet banking.
H₁- Customers have problems with reference to internet banking.
2. H₀- Internet banking strategies and safety measures do not have impact on customer satisfaction.
H₁- Internet banking strategies and safety measures have impact on customer satisfaction.

Material and methodology

A research design is purely and simply the frame work of plan for a study that guides the collection and analysis of the data. The study is descriptive research using questionnaire with 100 respondents taken using convenient sampling method. The study gives insight to understand the problem and prospect of internet banking services in Tumkur city.

The data has been gathered from both primary and secondary sources. Primary data is collected through interaction and discussion with the users, who are using internet banking and also with structured Questionnaire. To collect the secondary data books, internet is relied on.

The collected data is put into proper analysis and tested using the statistical test ANOVA for single factor.

Result and Discussions

This section presents the results of the analysis and testing of research hypothesis. The main purpose of the study is to examine the problems associated with electronic banking and to analyse the strategies adopted by banks to make customers satisfied. The analysis is divided into 3 parts:

- a. Demographic profile of respondents.
- b. Problems of electronic banking
- c. Strategies adopted by banks to overcome problems.

a. Demographic profile of respondents

		f	%
Age	UPTO 25	88	88%
	26-35	7	7%
	36-45	1	1%
	46 & above	4	4%
	Total	100	100%
Gender	Male	43	43%
	Female	57	57%
	Total	100	100%
Profession	Business	6	6%
	Service (public and private)	23	23%
	Agriculture	4	4%
	Students	67	67%
	Total	100	100%

Age of the respondents indicate that majority of the respondents are under the age group under 25 years followed by 26-35 years who contribute 7% of total respondents. The least category is 36-45 years who are only 1% respondents.

Gender reveals that female respondents are more than male respondents.

Profession reveals that student's category contributes the highest response and the least respondents are from agriculture category.

Which category of the bank do you consider as most technology advanced?

BANK SECTOR	NO OF RESPONDENTS	PERCENTAGE OF RESPONDENTS
PUBLIC SECTOR	38	38%
PRIVATE SECTOR	62	62%
TOTAL	100	100%

From the above table it is shown that 38% of the respondents are agree that public sector bank is most technology advanced and 62% of the respondents are agree private sector bank are most technology advanced.

Are you satisfied with internet banking?

1SATISFACTION	NO OF RESPONDENTS	PERCENTAGE OF RESPONDENTS
YES	94	94%
NO	6	6%
TOTAL	100	100%

The above table shows that 94% of respondents are satisfied using internet banking and 6% of respondents are not satisfied using internet banking.

b. Problems of internet banking

Attributes		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Security concern	f	34	48	16	2		100
	%	34%	48%	16%	2%		100%
Technical issues & down time	f	27	48	18	4	3	100
	%	27%	48%	18%	4%	3%	100%
Lack of personal interaction with bank staff	f	27	47	21	4	1	100
	%	27%	47%	21%	4%	1%	100%
Difficulty in understanding the technology	f	14	49	25	10	2	100
	%	14%	49%	25%	10%	2%	100%
Limited access to physical cash & services	f	25	43	22	10		100
	%	25%	43%	22%	10%		100%

The table clearly shows that 34% of the respondents strongly agree that security concern is the greatest problem associated with internet banking, 49% of the respondents agree with and 25% of the respondents stayed neutral with Difficulty in understanding the technology is the greatest hurdle, 10% of the respondents disagree for limited access to physical cash & services and 3% of the strongly disagree with technical issue and down time.

c. Strategies

Attributes		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Creating awareness among the bank employees	f	43	42	11	4	-	100
	%	43%	42%	11%	4%	-	100%
Providing variety of services according to customer requirements	f	30	55	13	2	-	100
	%	30%	55%	13%	2%	-	100%
Convenient accessibility of internet banking services	f	31	45	22	2	-	100
	%	31%	45%	22%	2%	-	100%
Using effective way to deliver internet banking services	f	27	56	13	4	-	100
	%	27%	56%	13%	4%	-	100%
Assisting & helping to the bank customer to choose best internet banking services	f	30	48	16	4	2	100
	%	30%	48%	16%	4%	2%	100%

It is revealed from the above table that 43% of the respondents strongly agree with creating awareness among the bank employees turns to be the great strategy for customer satisfaction, 56% agree that using effective way to deliver internet banking services helps in satisfying customers, 22% of the respondents expressed no opinion about convenient accessibility of internet banking services, 4% disagree for creating awareness among the bank employees, using effective way to deliver internet banking services and assisting & helping to the bank customer to choose best internet banking services being strategies for customer satisfaction and 2% of the respondents

strongly disagree that assisting & helping to the bank customer to choose best internet banking services will help in satisfying customers.

Testing of hypothesis

Hypothesis 1- Ho- Customers do not have any problems with reference to internet banking.

This hypothesis is tested using one way ANOVA

ANOVA for single factor

Attributes	Source of Variation	SS	df	MS	F	P*
Security concern	Between Groups	1.988	1	1.988	3.604	0.061
	Within Groups	54.052	98	0.552		
Technical issues & down time	Between Groups	0.804	1	0.804	0.911	0.342
	Within Groups	86.556	98	0.883		
Lack of personal interaction with bank staff	Between Groups	3.416	1	3.416	4.828	0.03
	Within Groups	69.334	98	0.707		
Difficulty in understanding the technology	Between Groups	1.948	1	1.948	2.346	0.129
	Within Groups	81.362	98	0.83		
Limited access to physical cash & services	Between Groups	1.15	1	1.15	1.359	0.247
	Within Groups	82.96	98	0.847		

The above table of ANOVA test for single factor results indicates that most of the attributes have $p > 0.05$, which indicates that null hypothesis is accepted, therefore customers do not have any problems with reference to internet banking. But for lack of personal interaction with bank staff the $p < 0.05$ which indicates that null hypothesis is rejected and concludes that except all the attributes, customers have problems with reference to internet banking because of the lack of personal interaction with banking staff.

Hypothesis 2- Ho- Internet banking strategies and safety measures do not have impact on customer satisfaction.

This hypothesis is tested using ANOVA for single factor

ANOVA for single factor

Groups	Count	Sum	Average
Strongly agree	5	161	32.2
Agree	5	246	49.2
Neutral	5	75	15
Disagree	5	16	3.2
Strongly disagree	5	2	0.4

ANOVA

Source of Variation	SS	Df	MS	P*	F crit
Between Groups	8464.4	4	2116.1	0.000	2.866
Within Groups	387.6	20	19.38		
Total	8852	24			

The above table of ANOVA test for single factor results indicates that $p < 0.05$, which indicates that null hypothesis is rejected, therefore the strategies adopted by banks have impact on customer satisfaction.

3. Conclusion

According to the results, internet banking is serving customers with expected service quality. Except lack of personal interaction with banking staff, customers are not facing any problems with respect to internet banking. Internet banking is reaching the expectations of customers with ease as it is reflected from the survey. Customers are satisfied about the service offering of respective banks and the strategies adopted by banks have direct positive on customer satisfaction.

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