



BENEFITS AND CHALLENGES OF ELECTRONIC BANKING IN KANYAKUMARI

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Abstract

Indian banking industry has witnessed a tremendous development due to sweeping changes that are taking place in the information technology. Electronic banking has emerged from such an innovative development. The progress in e - banking in Indian Banking industry is measured through various parameters such as Computerization of branches, Automated Teller Machines, Transactions through Retail Electronic Payment Methods etc. The present study deals with various benefits and challenges faced by e - banking services in Kanyakumari district. In this present study 150 customers are selected and analyzed with the help of garrett ranking technique.

Keywords: Computerization of branches, innovative development, Indian banking industry.

I. INTRODUCTION

Banking system is an important constituent of the overall economic system. It plays an important role in mobilizing the nation's saving and in channelizing them into high investment priorities and better banking industry has witnessed a tremendous development due to sweeping changes that are taking place in the information technology. Electronic banking has emerged from such an innovative development. The process in e-banking in Indian parameters such as Computerization of branches, Automated Teller Machines, Transactions through Retail Electronic Payment Methods etc.

To cope with the pressure of growing competition, Indian commercial banks have adopted several initiatives and e-banking is one of them. The competition has been



especially tough for the public sector banks, as the newly established private sector and foreign banks are leaders in the adoption of e - banking. Indian banks offer to their customers following e - banking products and services:

- Automated Teller Machines (ATMs)
- Internet Banking
- Mobile Banking
- Phone Banking
- Tele Banking
- Electronic Clearing Services
- Electronic Clearing Cards
- Smart Cards
- Door Step Banking
- Electronic Fund Transfer

Review of literature

Sumaya Shamas and Hana Abdul Al-ati in their article entitled 'E - Banking and Challenges' concludes that the international scope of E-Banking provides new growth perspectives and Internet business is catalyst for new technologies and new business processes. With rapid advances in telecommunication systems and digital technology, E-banking has become a strategic Mohd Asraf Ali, Azam Malik and Asraf Imam in their article entitled, 'E-Commerce : Benefits and challenges', Concludes that, the challenges posted by the internet banking are mostly procedural nature, which can be easily counter balanced by adopting suitable technologies and security measures. The domestic standards of banking have to be in conformity, with the well known international standards and in the near future international

dealings from India would be reality, which are presently liberal enough.

Dr. Sarita Bahl in her article entitled 'E-Banking Challenges & Policy implications' International Journal of computing and business Research' I Society 2012, interprets that the, Electronic banking is the wave of the future. It provides enormous benefits to consumers in terms of the ease and cost of transactions. But it also poses new challenges for country authorities in regulating and supervising the financial system and in designing and implementing macroeconomic policy. The present paper aims to highlight challenges of E-banking. Further efforts have been made to suggest policy implications to make E-Banking more effective.

METHODOLOGY

The present study is based on both primary and secondary data. 150 samples are selected randomly by applying convenient sampling technique.

Objectives of the study

- (1) To study about the benefits of e-banking services.
- (2) To know about the various challenges faced by e-banking services
- (3) To offer suggestions.



Benefits of e-banking services for Banks:

Price-

In the long run a bank can save on money by not paying for tellers or for managing branches. Plus it's cheaper to make transactions over the Internet.

Customer Base- the Internet allows off one too, because weapon for banks to remain profitable. It has been transformed beyond what anyone could have foreseen 25 years ago there are no geographic boundaries with the internet. The Internet also provides a level playing field for small banks who want to add to their customer base.

Efficiency

Efficiency - Banks can become more efficient than they already are by providing Internet access for their customers. The Internet provides the bank with an almost paper less system.

Customer Services and Satisfaction-

Banking on the Internet not only allow the customer to have a full range of services available to them but it also allows them some services not offered at any of the branches. The person does not have to go to the branch where that services may or may not be offer.

For Customers:

Bill Pay:

Bill pay is a services offered through Internet banking that allows the customer to set up bill payments to just about anyone. Customer can select the person or company whom he wants

to the make a payment and Bill Pay will withdraw the money from his account and send the payee a paper check or an electronic payment.

Other Important Facilities:

E-Banking gives customer the control over nearly every aspect of managing his bank accounts. Besides the Customers can, Buy and Sell Securities, Check Stock Market Information, Check Currency Rates, Check Balances, See which checks are cleared, Transfer Money, View Transactions History and avoid going to an actual bank. The best benefit is that Internet Banking is free. At many banks the customer doesn't have to maintain a required minimum balance. The second big benefit is better interest rates for the customer.

Challenges of e-banking services

1. Adaptation

In light of how rapidly technology is changing and what the changes mean for banking activities, keeping regulations up to date has been, and continues to be, a far - reaching, time - consuming, and complex task. In May 2001, the Bank for International Settlements issued its "Risk Management Principals for Electronics Banking", which discusses how to extend, adapt, and tailor the existing risk management framework to the electronic banking setting. For example, it recommends that a bank's board of directors and senior management review and approve the key aspects of the security control process, which should include measures to authenticate the



identity and authorization of customers, promote non repudiation of transactions, protect data relevant technological expertise to assess potential changes in risks, which may require significant investment in training and in hardware and software.

2. Harmonization:

International harmonization of electronic banking regulation must be a top priority. This means intensifying cross-border cooperation between supervisors and coordinating laws and regulatory practices internationally and domestically across different regulatory agencies. The problem of jurisdiction that arises from 'borderless' transactions is, as of this writing, in limbo. For now, each country must decide who has jurisdiction over electronic banking involving its citizens. The task international harmonization and cooperation can be viewed as the most daunting in addressing the challenges of electronic banking.

3. Integration:

This is the process of including information technology issue and their accompanying operational risks in bank supervisors' safety and soundness evaluations. In addition to the issues of privacy and security, for example, bank examiners will want to know how well the bank's management has elaborated its business plan for electronic banking. A special challenge for regulators will be supervising the functions that are outsourced to third-party vendors.

4. Regulatory challenge.

As the Internet allows services to be provided from anywhere in the world, there is a danger that banks will try to avoid regulation and supervision. What can regulators do? They can require even banks that provide their services from a remote location through the Internet to be licensed. Licensing would be particularly appropriate where supervision is weak and cooperation between a virtual bank and the home supervisor is not adequate. Licensing is the norm, for example, in the United States and most of the countries of the European Union. A virtual bank licensed outside these jurisdictions that wishes to offer electronic banking services and take deposits in these countries must first establish a licensed branch.

5. Legal challenge.

Electronic banking carries sensitive legal risks for banks. Banks can potentially expand the geographical scope of their services faster through electronic banking than through traditional banks. In some cases, however, they might not be full versed in a jurisdiction's local laws and regulations with a license or without a license if one is not required. When a license is not required, a virtual bank – lacking contact with its host country supervisor – may find it even more difficult to stay abreast of regulatory changes. As a consequences, virtual banks could unknowingly violate customer protection laws, including on data collection integrity,



and ensure segregation of duties within E-banking systems, databases, and applications. Regulators and supervisors must also ensure that their staffs have the and privacy, and regulations on soliciting. In doing so, they expose themselves to losses through lawsuits or crimes that are not prosecuted because of jurisdictional disputes.

6. Operational challenge.

The reliance on new technology to provide services makes security and system availability the central operational risk of electronic banking. Security threats can come from inside or outside the system, so banking regulators and supervisors must ensure that banks have appropriate practices in place to guarantee the confidentiality of data, as well as the integrity of the system and the data. Bank's security practices should be regularly tested and reviewed by outside experts to analyze network vulnerabilities and recovery preparedness. Capacity planning to address increasing transaction volumes and new technological developments should take account of the budgetary impact of new investments, that ability to attract staff with the necessary expertise, and potential dependence on external service providers. Managing heightened operational risks need to become an integral part of banks' overall management of risk and supervisors need to include operational risks in their safety and soundness evaluations

7. Reputational challenge.

Breaches of security and disruptions to the system's availability can damage a bank's reputation. The more a bank relies on electronic bank encounters problem that cause customers to lose confidence in electronic delivery channels as a whole or to view bank failures as system wide supervisory deficiencies, these problems can potentially affect other providers of electronic banking services. In many countries where electronic banking is becoming the trend, bank supervisors have put in place internal guidance notes for examiners, and many have released risk-management guidelines for banks.

8. Security challenge.

Internet banks collect and keep some very important personal information from each client. As Internet technology advances, so does the ability of criminals to hack into an Internet bank and steal important client information, according to financial expert Steve Ellis, writing on the Computer World website. Internet banks must constantly update security measures and stay updated on the latest viruses and hacker tools in order to protect client information.

9. Inconvenience challenge.

Internet banking sounds convenient to clients when they first sign up for it, but there are some challenges once the customer begins using his account. Depositing money can be an inconvenience for customers of Internet

banks. Physical checks and cash must either be mailed to a designated location, or they need to be deposited into an automatic teller machine which can cost the customer money. In either case, physical deposits can take days, even weeks to clear.

10. Personal Information

Internet banks need to collect personal information in order to do business, but if they do not follow local information collection laws then there could be lawsuits and government penalties. According to the US Computer Emergency Readiness Team’s online article “Banking Securely Online”, every Internet bank that operates in the United States must comply with Electronic Code of Federal Regulations Part 313.9 that deals with commercial practices. Internet banks must provide a comprehensive explanation of their policies in accordance with this code to every customer. It deals with the collection of information and the consumer’s right to opt out of certain parts of it. This can make doing business over the Internet challenging for banks, especially when personal information is needed to process loans and create accounts.

Challenges of e-banking services in Kanyakumari District

This changing financial landscape brings with it new challenges for banks management and regulatory and supervisory authorities. The major ones stem from increased cross-border transactions resulting from drastically lower

transaction costs and the greater ease of banking activities, and from the reliance on technology to provide banking services with the necessary security there are various challenges faced by e – banking services in Kanyakumari district. They are adaption, legalization, harmonization, integration, regulatory challenge, operational challenges, regulation challenge, security challenge, inconvenience challenge and personal information.

Table No: 1 Challenges of e-banking services in Kanyakumari District

| S. No | Challenges | I | II | III | IV | V | VI | VII | TOT |
|-------|----------------------|-----|-----|-----|-----|-----|-----|-----|-----|
| 1 | Operational | 21 | 34 | 28 | 13 | 17 | 10 | 27 | 150 |
| 2 | Regulation | 17 | 21 | 23 | 16 | 29 | 37 | 7 | 150 |
| 3 | Legal | 14 | 8 | 11 | 26 | 31 | 33 | 27 | 150 |
| 4 | Security | 26 | 30 | 25 | 18 | 12 | 15 | 24 | 150 |
| 5 | Reputational | 23 | 16 | 19 | 30 | 20 | 28 | 14 | 150 |
| 6 | Inconvenience | 19 | 29 | 26 | 31 | 21 | 1 | 23 | 150 |
| 7 | Personal information | 30 | 12 | 18 | 16 | 20 | 26 | 28 | 150 |
| | | 150 | 150 | 150 | 150 | 150 | 150 | 150 | |

Source: Primary Data

Table : 2 : Ranking Table

| S. No | Challenges | Scoes obtained Rank | TOT |
|-------|----------------------|---------------------|-----|
| 1 | Operational | 51.61 | III |
| 2 | Regulation | 41.94 | V |
| 3 | Legal | 43.96 | VII |
| 4 | Security | 52.32 | III |
| 5 | Reputational | 50.34 | IV |
| 6 | Inconvenience | 52.13 | II |
| 7 | Personal information | 48.69 | VI |

Source: Primary Data



It is inferred that from the above table shows that security is the main challenge with scores high and the first rank, inconvenience and the operational challenge holds the second and third rank respectively in the challenges face by the e-banking services in Kanyakumari district.

Suggestions of the study

Establish credit information registry and disseminating system. Credit information registries, commonly known as credit bureaus in many countries, can reduce the extent of asymmetric information by making a borrower's credit history available to potential lenders. Lenders armed with his data can avoid making loans to high risk customers, with poor repayment histories, defaults, or bankruptcies. Once a lender makes a loan, the borrower knows that their performance will be reported to the credit bureau. The information contained in a credit registry becomes part of the borrower's "reputation collateral". Late payments or defaults reduce the value of this "collateral" providing an additional incentive for timely repayment. At the same time, by reducing the information monopoly that banks have over their existing borrowers, customers also benefit.

Conclusion

E-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. No country today has a choice whether to implement E - Banking or not given the global and competitive nature of the economy.

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