E-Banking -New Emerging Trends in Indian Banking Industry

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Abstract

Today banking is known as innovative banking. Information technology has given rise to new innovations in the product designing and their delivery in the banking and finance industries, customer services and customer satisfaction are their prime work. Under the regime of banking sector reforms, IT Act of 1999 gave new dimensions to the Indian banking sector. IT has created transformation in banking structure, business process, work culture and human resource development. The new evolution in same field is E-Banking i.e. though Electronic channels, such as the telephone, the internet, the cell phone, etc. The concept and scope of E-banking is still evolving. It facilitates an effective payment and accounting system thereby enhancing the speed of delivery of banking services considerably. While E-banking has improved efficiency and convenience, it has also posed several challenges to the regulators and supervisors .The paper suggests some measures to tackle the challenges faced by the banks particularly public sector banks. At the end, paper suggests how public sector banks can convert the emerging challenges into opportunities.

Key words: Information Technology, Productivity, Profitability, Efficiency, E-Banking Challenges, Opportunity

Introduction:-

The traditional functions of banking are limited to accept deposits and to give loans and advances. Today banking is known as innovative banking. Information technology has given rise to new innovations in the product designing and their delivery in the banking and finance industries, customer services and customer satisfaction are their prime work. Current banking sector has come up with a lot of initiatives that oriented to providing a better customer services with the help of new technologies. Banking sector mirrors the larger economy its linkages to all sectors make it proxy for what is happening in the economy as a whole. Indian banking sector today has the same sense of excitement and opportunity that is evidence in the Indian Economy. The going developments in the global markets offer so many opportunities to the banking sector. In the competitive banking word improvement day by day in customer services is the most useful tool for their better growth. Bank offers so many changes to access their banking and other services.

Banks plays an important role in the economic development of developing countries. Economic development involves investment in various sectors of the economy. The banks collect savings for investment in various projects. In normal banking the banks perform agency services for their customers and helps economic development of the country. The purchase and sales securities, shares, make payments, receive subscription funds and collect utility bills for the Government department. There for banks save time and energy of busy peoples. Bank arranges foreign exchange for the business transactions with other countries. Banking sector are not simply collecting funds but also serve as a guide to the customer about the investment of their money.

Objectives of study:-
1. To explain the changing banking scenario
2. to analysis of the impact of liberalization Privatization and Globalization.
3. To explain the challenges of National and commercial banks in changing banking scenario.
4. To study the opportunities for the national and commercial banks in changing banking scenario.

Methodology of study:-

This study is based on the analysis of the changing banking scenario in the India with the help of secondary data collection.

Secondary data: - The secondary sources of data are banking books, annual reports of RBI, internet (websites) and research papers etc.

Present scenario:-

Today role of banking industry is very important as one of the leading and mostly essential service sector. India is the largest economy in the world having more than 110 crore population. Today in India the service sector is contributing half of the Indian GDP and the banking is most popular service sector in India. The significant role of banking industry is essential to speed up the social economic development.

Progress of Indian Banking (Up to 31st March 2011)

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Type of Banks</th>
<th>Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Nationalized Banks</td>
<td>39376</td>
</tr>
<tr>
<td>02</td>
<td>State Banks</td>
<td>16062</td>
</tr>
<tr>
<td>03</td>
<td>Old Private Sector Banks</td>
<td>4673</td>
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<tr>
<td>04</td>
<td>New Private Sector Banks</td>
<td>4204</td>
</tr>
<tr>
<td>05</td>
<td>Foreign Banks</td>
<td>293</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>64608</td>
</tr>
</tbody>
</table>

(Source: - www.rbi.com)

The present banking scenario provides a lot of opportunities as well as facing lot of challenges also. In the past few years we observed that there was lot of down and up trends in banking sector due to the global finance crisis.
In India it has not major affected but in America still the economy is under the pressure of economic crisis. India is being fundamentally strong supported by concrete economic policies, decisions and implementations by the Indian Government i.e. Prime Minister Dr. Manmohan Singh. Banking sector is not major affected but definitely there was reflection on the share market.

To improve major areas of banking sector Govt. of India, RBI, Ministry of finance has made several notable efforts. Many of leading banks operating in market have made use of the changed rules and regulations such as CRR, Interest Rates Special offers to the customers such as to open account in zero balance. Now days almost all banks entered into all areas of banking services. As a result of innovation banking products are a reality now. Even saving accounts have become subject of innovation. Due to liberalization, Privatization and Globalization, Indian banks going global and many global banks are setting up shops in India. The Indian banking system is set to involve into a totally new level. It will help the banking system to grow in strength going into future. Due to liberalization banks are operating on reduced spread main focus is highlighted on consumerism and how to customers linked and remain attached with the bank. Therefore banks are entered these days in non banking products such insurance in which area there are tremendous opportunities.

Challenges:-

1) **Customer Satisfaction**:- Today in sector customers are more value oriented in their services because they have alternative choices in it. So that each and every bank have to take care about fulfill of our customers satisfaction.

2) **To provide several personnel services**:- The preset times demanded that banks are to provide several services for which they have to expanse in service, social banking with financial possibilities, selective up gradation, computerization and innovative mechanization, better customer services, effective managerial culture, internal supervision and control, adequate profitability, strong organization culture etc. Therefore banks must be able to provide complete personal service to the customers who comes with expectations.

3) **Nonperforming assets (N.P.A):** Nonperforming assets are another challenge to the banking sector. Vehicle loans and unsecured loans increases N.P.A. which terms 50% of banks retail portfolio was also hit due to upward movement in interest rates, restrictions on collection practices and soaring real estate prices. So that every bank have to take care about regular repayment of loans.

4) **Competition**:- The nationalize banks and commercial banks have the competition from foreign and new private sector banks. Competition in banking sector brings various challenges before the banks such as product positioning, innovative ideas and channels, new market trends, cross selling ad at managerial and organizational part this system needs to be manage, assets and contain risk. Banks are restricting their administrative folio by converting manpower into machine power i.e. banks are decreasing manual powers and getting maximum work done through machine power. Skilled and specialized man power is to be utilized and result oriented targeted staff will be appointed.

5) **Managing Technology**:- Developing or acquiring the right technology, deploying it optimally and then leveraging it to the maximum extent is essential to achieve and maintain high service and efficiency standards while remaining cost effective and delivering sustainable return to shareholders. Early adopters of technology acquire significant competitive advances Managing technology is therefore, a key challenge for the Indian banking sector.

6) **Other Challenges**:-
   a) Coping with regulatory reforms
   b) Development of skill of bank personnel
   c) Customer awareness and satisfaction
   d) Corporate governance
   e) Changing needs of customers
   f) Keeping space with technology up gradation
   g) Lack of common technology standards for mobile banking
   h) Sustaining healthy bottom lines and increasing shareholders value
   i) Structural changes
   j) Man power planning

Opportunities:-

Where there are challenges, there must opportunities. Following are the opportunities for the nationalised and commercial banks.

1) **Rural area customers**:- Contributing to 70% of the total population in India is a largely untapped market for banking sector. In all urban areas banking services entered but only few big villages have the banks entered. So that the banks must reach in remaining all villages because majority of Indian still living in rural areas.

2) **Offering various Channels**:- Banks can offer so many channels to access their banking and other services such as ATM, Local branches, Telephone/mobile banking, video banking etc to increase the banking business.

3) **Good Customer Services**:- Good customer services are the best brand ambassador for any bank for growing its business. Every engagement with customer is an opportunity to develop a customer faith in the bank. While increasing competition customer services has become the backbone for judging the performance of banks.

4) **Internet Banking**:- It is clear that online finance will pickup and there will be increasing convergence in terms of product offerings banking services, share trading, insurance, loans, based on the data warehousing and data mining technologies. Anytime anywhere banking will become common and will have to upscale, such up scaling could include banks launching separate internet banking services apart from traditional banking services.
5) Retail Lending: - Recently banks have adopted customer segmentation which has helped in customizing their product folios well. Thus retail lending has become a focus area particularly in respect of financing of consumer durables, housing, automobiles etc. Retail lending has also helped in risks dispersal and in enhancing the earnings of banks with better recovery rates.

6) Indian Customers: - The growing Indian banking sector with its strong home country linkages, seek a unique combination of Indian ethnicity and global standards that offers a valuable nice opportunities for Indian banks. The biggest opportunity for the Indian banking sector today is the Indian customers. Demographic shifts in terms of income level and cultural shifts in terms of life style aspirations are changing the profile of the Indian customer. This is and will be a key driver of economic growth going forward. The Indian customers now seek to fulfill his lifestyle aspirations at a younger age with an optimal combination of equity and debt to finance consumption and asset creation. The consumer represents a market for a wise range of products and services he need a mortgage to finance his house, an auto loan for his car, a credit card for ongoing purchases, a bank account, a long term investment plan to his children’s higher education, pension plans for his retirement, a life insurance policy the possibilities are endless and this consumer does not live just in India’s top ten cities. He represents across cities, towns and villages i.e. in rural areas. Consumer goods companies are already tapping this potential it is for the banks to make the most of the opportunity to deliver solutions to this market.

7) Other Opportunities:-
   a) To enter new business and new markets
   b) To develop new ways of working
   c) To improve efficiency
   d) To deliver high level of customer services.

Conclusion:-

Finally the banking sector will need to master a new business model by building management and customer services. Banks should contribute intensive efforts to render better services to their customer, Nationalized and commercial banks should overcome the challenges and to get advantage of opportunities in changing banking scenario.

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