



E- BANKING IN INDIA-BOON OR BANE?

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ABSTRACT

The banking sector is the dominant sector which is considered as the key to savings for the local public and for the Government a source of GDP. Banking in India originated in the last decades of the 18th century. Since its inception it's the achievements and criticism that we read of, the challenges faced by this sector have been never stressed on. Do the banks actually face challenges and how can they overcome it. Since the turn of the century, and in today's technological era there has been a noticeable upsurge in transactions through ATMs, and also through the internet and mobile phones. But is this technology a boon or a bane to the banking sector. The paper reviews the Challenges faced by the banking sector and how can they be overcome and studies if technology is helping the sector or is a challenge to be faced indirectly.

KEYWORDS: GDP, Banking sector, Challenges, Technological era, Boon or bane.

INTRODUCTION

It is common that we hear a lot of criticism about the banking sector unable to meet the expectation of customers and satisfy the norms and targets laid down by the Government.

"A bank is a place where they lend you an umbrella in fair weather and ask for it back when it begins to rain." - Robert Frost

But does the fault rest totally on the banking sector? It would be wise to see both the sides of a coin and look at the challenges faced by the banking sector. These challenges may come from various angles Customers, Government or the internal banking system itself. Another important aspect and challenge in today's ever changing technological era is technologies impact on the banking sector. Should this impact be considered only good or are

there some adverse effects on the banking sector as well. Technology is always seen with its positive effects on the banking sector its negative impact should also be looked into to encourage both the banking sector and the Government for overall technological innovation.

RESEARCH OBJECTIVES

- ✧ To analyze the challenges faced by the banking sector over the last many years
- ✧ To study how Technology is both a boon and a bane to the banking sector.

REVIEW OF LITERATURE

- ✧ Dr. A.Jayakumar and Mr. G.Anbalagan (2012) in their research paper "A Study on Innovations and Challenges in Banking Industries in India"



have studied the significant innovations and challenges in banking industries in India and concluded that banks need to restructure themselves and need to follow some practices few of include Greater professionalism, Greater emphasis on diversification and sources non interest income, Consultancy services and Equipping them to operate in the deregulated environment.

- ◆ Dr. K. Ratna Manikyam (2014) in his paper “Indian Banking Sector - Challenges and Opportunities” has explained the changing banking scenario, the impact of economic reforms and has analyzed the challenges and opportunities of national and commercial banks he also concluded that the biggest challenge for banking industry is to serve the mass and huge market of India and technology up gradation is an inevitable aspect to face challenges.
- ◆ S. K. Mishra(2015) in his research article “Banking sector: emerging challenges and opportunities” has studied and concluded the various challenges and opportunities like rural market, transparency, customer expectations, management of risks, growth in banking sector, human factor, global banking, environmental concern, social, ethical issues, employee and customer retentions. Banks are striving to combat the competition. The competition from global banks and technological innovation has compelled the banks to rethink their policies and strategies.
- ◆ Dr. K.C.Biswal (2015) in his research paper “Emerging Trends in the Indian Banking Sector- Challenges & Opportunities” has attempted to present the emerging trends and its challenges that have recently emerged in the banking sector.
- ◆ Dr. CH. Jayasankara Prasad and K. Libiya(2016) in their paper “ Banking Industry in India – A Trend Analysis” have highlighted some of the important aspects of Indian banking industry and its growth trend during the post liberalization period.

RESEARCH METHODOLOGY

The study conducted is based on descriptive research design, meaning a description of the state of affairs as it exists at present. Secondary data has been used which has been obtained from various online websites, journals and books Analysis of the secondary data has been done both on historical and quantitative basis. Census survey has been adopted for the study. The tools used in the study include trend and Compound Annual Growth Rate (CAGR).

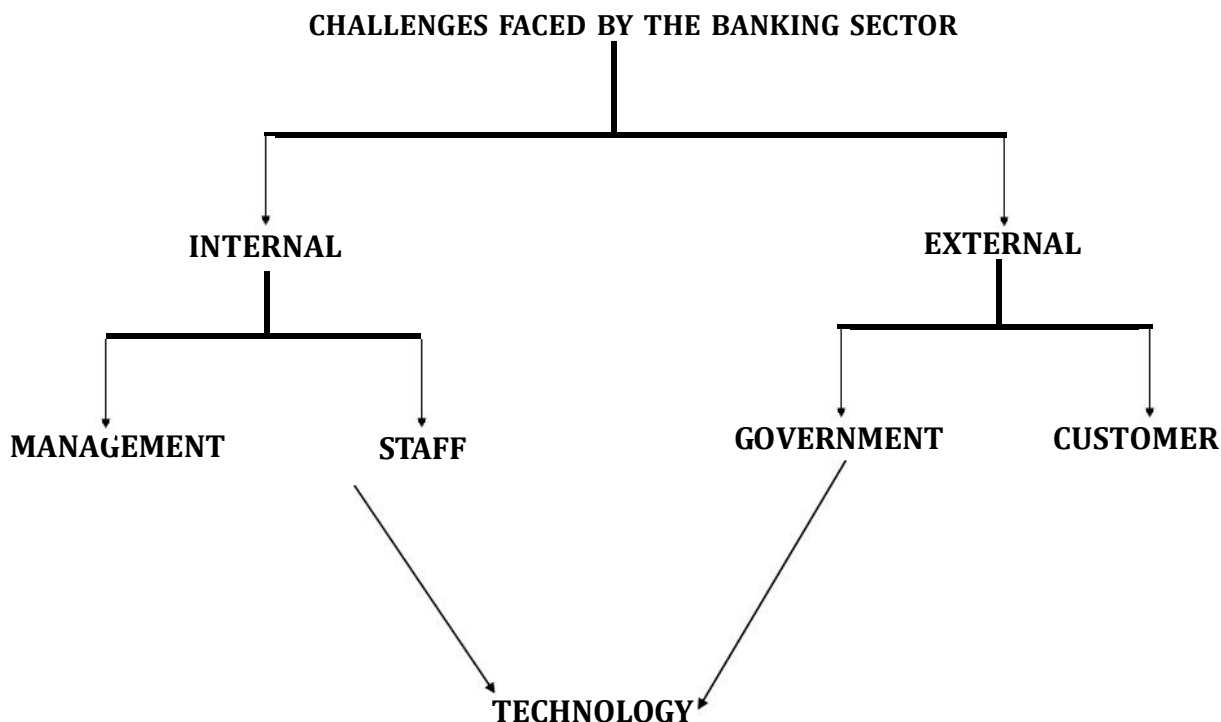
LIMITATIONS OF THE STUDY

Every research conducted has its limitations. These limitations are being brought forward such that when any further research is conducted the limitations given below may be taken into consideration.

- ✎ An attempt has been made to conduct a detailed study, still there are areas which have not been covered.
- ✎ The period of study has not been restricted and was subject to availability of data.
- ✎ Data taken in the analysis is based on secondary data obtained from various websites; the limitations of the data got from these sites are also applicable to the research.
- ✎ Data has been recorded based on availability and hence in few instances up to date data has not been shown.
- ✎ Accurate data to cover the exact subject of the paper was not available hence related data has been used for the study.

ANALYSIS AND INTERPRETATION CHALLENGES FACED BY THE BANKING SECTOR

The banking sector had faced, still faces and will continue to face a number of challenges. Given below is a brief summary of the possible challenges that banks faced, face and might encounter in the future.



INTERPRETATION

The chart above clearly depicts the various challenges faced by the banking sector both internal and external. Given below is a brief interpretation of the threats:

Internal Challenges:-

Challenges faced within the banking sector come under this category they may further be subdivided as challenges faced with the management and staff. As for the internal management it is the entire hierarchy of the management that poses a challenge. The staffs are one of the most important assets in the banking sector having said that it must also be noted that they form the biggest internal challenge to the banking sector.

⌘ **Management**

The biggest challenge faced today by the banks is its internal management, it would rather be better to say that the management poses an internal threat when things don't move as per the rules and regulations of the Government, the expectations of the customers and the requirements of the staff.

⌘ **Staff**

Human resources are considered to be the most important resource in today's world. In most banks both private and public the human resources are considered a challenge for instance it is evident now that many staff do not

want to work as per the norms stated and the result of which falls back on the banks and the customers.

External Challenges:-

The external challenges faced by the banking sector include the Government and the customers. External challenges would seem less of a challenge on the macro level but dealing with challenges from the external angle are even more difficult than dealing with the internal challenges. Given below is a brief note of the external challenges

⌘ **Government**

It is a known fact that the RBI governed by the Government imposes rules and regulations which are to be followed by the banks. Some targets by the RBI are impossible to reach and thus the Government is an external challenge to the banks

⌘ **Customers**

The customers are the main assets to any bank. How are they called as a challenge? Customer first of all is a general term to be more precise let us call the customers in banking terms as depositors and account holders. When these customers do not repay loans taken from the bank they form the biggest external challenge to the banks.



TECHNOLOGY IS BOTH A BOON AND A BANE TO THE BANKING SECTOR TECHNOLOGY AS A BOON

Technology is considered to be a boon today to the banks. Technology in banking consists of ATM's, Credit cards, Mobile banking etc. Discussed below are two aspects ATM's and mobile banking.

AUTOMATIC TELLER MACHINE

Table: 1 Number of ATM's (Year 2005 TO 2015)

YEAR	NO. OF ATM'S
2005	16,750.00
2006	21,509.00
2007	27,088.00
2008	34,789.00
2009	43,651.00
2010	60,153.00
2011	74,743.00
2012	92,455.00
2013	114,364.00
2014	141,364.00
2015	174,988.00

INTERPRETATION

The above table shows that the number of ATM's opened in 2005 stands at 16,750 in the year 2006 the number of ATM's rose to 21,509. In 2007 the number of ATM's stands at 27,088 with another steep rise in 2008 to 34,789. While in 2009 the number of ATM's stands at 43,651

in 2010 it stands at 60,153 while in 2011 the number of ATM's rose to 74,743. In the year 2013 the number crossed the one lakh mark with the number being 1, 14,364 and the year 2015 showed the highest number of ATM's with the number standing at 174,988.

Table: 2 Compound Annual Growth Rate

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
No. of ATM's	16,750	21,509	27,088	34,789	43,651	60,153	74,743	92,455	114,364	141,465	174,988
		28%	26%	28%	25%	38%	24%	24%	24%	24%	24%
CAGR	26%										

INTERPRETATION

The average annual growth rate of the number of ATM's from the year 2005 to 2015 stands at 26%. In the year 2006 the growth rate stood at 28% and in 2007 a decrease to 26%. The years 2008 and 2009 showed a growth rate of 28% and 25% respectively. The year 2010 showed the highest yearly growth from 2005 to 2015 with the percentage standing at 38%. After 2011 the growth rate stood constant at 24% till 2015.

MOBILE INTERNET USAGE

The data given below relates to the number of users of mobile internet both rural and urban. Even though the data does not give us a complete picture as to how many mobile internet users use the mobile for banking it does give an idea as to how technology has captured attention of the masses and how the mobile internet is sure to be a source for banking.

Table: 3 Number of Mobile Internet Users Rural

Month & Year	No of Mobile Internet Users Rural(In Millions)
June-12	4
June-13	21
June-14	36
June-15	68
June-16	109

INTERPRETATION

The above table shows the number of mobile internet users in June 2012 stands at 4 million with a steep rise in June 2013 to 21 million and in June 2013 a further rise to 36 million. In June 2015 the number of mobile internet users stood at 68 million. The year 2016 saw the highest number of mobile internet users in the rural areas the number standing at 109 million.

Table: 4 Compound Annual Growth Rate

Year	2012	2013	2014	2015	2016
No. of Mobile Internet Users Rural	4	21	36	68	109
		425%	71%	89%	60%
CAGR	128%				

INTERPRETATION

The CAGR for the number of mobile internet user's rural stands at 128%. It is clear that the annual growth rate in the year 2013 is very high standing at 425%. While over the next few years the growth rate falls steep down to 71% , 89% and 60% for the years 2014 , 2015 and 2016 respectively.

Table: 3 Number of Mobile Internet Users Urban

Month &Year	No of Mobile Internet Users Urban(In Millions)
Jun-12	44
Jun-13	70
Jun-14	101
Jun-15	171
Jun-16	262

INTERPRETATION

The number of mobile internet users urban in June 2012 stands at 44 while in June 2013 the figure stands at 70. In the year June 2014 the number crosses the 100 mark with the number standing at 101. In June 2015 the number rose to 171 and in June 2016 the highest was recorded with 262.

Table: 4 Compound Annual Growth Rate

Year	2012	2013	2014	2015	2016
No. of Mobile Internet Users	44	70	101	171	262
		59%	44%	69%	53%
CAGR	56%				

INTERPRETATION

The CAGR stands at 56% meaning that the average annual growth rate for the years 2012 to 2016 stands at 56%. In the year 2013 the growth rate is 59% followed by a drop in 2014 to 44%. While the year 2015 witnessed the highest growth percentage of 69 in the year 2016 a dip in the growth rate can be seen with the percentage standing at 53%.

TECHNOLOGY AS A BANE

Technology is always regarded a boon to the banking sector how can we they term it as a bane. With the advantages of technology to the banking sector come various risks and challenges given below are a brief summary of few.

❖ Privacy Risk

When Technology is used for banking purpose the most grave challenge faced is with regard to its privacy. When an ATM is being used we most likely think what if our PIN number is know by chance to someone or what if while using the internet or mobile our password is hacked.

❖ Security risk

While using technology in banking security is one of the most feared challenge for the banking sector. Most ATM's have security personals out of the ATM's but still thefts do take place. The mobile and internet banking also has its security risks as it is a child's play for hackers to break the banking security codes with the same technology.

❖ Trust factor

When trust is concerned Technology is no doubt a bane because most banking customers till date don't trust Technology for banking transactions. Customers still prefer to go to the bank and withdraw cash than to go to ATM's. As for the internet and mobile it is still not trusted for banking transactions by many of the old standing banking customers.

❖ ATM's malfunction risk

One of the major issues with the ATM's technology is the malfunction of the machine. While most ATM machines remain closed due to the machine being in an out of order condition, proper steps are not being taken at the earliest by the banking official to repair the ATM machines at the earliest.

FINDING CHALLENGES FACED BY THE BANKING SECTOR

Both internal and external challenges are faced by the banking sectors. And it is evident that both these challenges together form a huge barrier for the banks. While it can be observed that the internal challenges faced by the banks can be handled to some extent the external challenges require more careful and detailed study.

TECHNOLOGY IS BOTH A BOON AND A BANE TO THE BANKING SECTOR

TECHNOLOGY AS A BOON TO THE BANKING SECTOR

AUTOMATIC TELLER MACHINES

There is a rising trend in the number of ATM's opened over the years from 2005 to 2015 while the CAGR also shows a steady growth rate it would be apt to say there was a constant growth over the years. It is clear that the number of ATM's have been at a rise over the years proving how technology has managed to capture the market.

MOBILE INTERNET

The number of mobile internet both urban and rural shows a rising trend. The rural mobile internet users have actually shown a very drastic and steep rise. The CAGR for both the rural and urban mobile internet users have shown a positive steep average annual growth, Thus proving that the mobile is off sure a good source for internet banking were technology has and can prove to be a boon.

TECHNOLOGY AS A BANE TO THE BANKING SECTOR

Technology still has few challenges which bring it under the category of a bane for the banking sector. While Privacy risk, security risk and trust factor are only a few which categorize technology as a bane to the banking sector there are still more causes that put technology under this category.

RECCOMENDATIONS

- ☞ To be able to face the internal challenges banks need to regulate their management and have a check on their employees on a periodic basis. A regular discussion between the management and the staff of all scales would help reduce internal bottlenecks.
- ☞ An internal staff suggestion or complaint box is to be placed in the banks so any problems may be brought to the notice of the management.
- ☞ The External challenges can be tackled by the banks if they are able to have a strict and accurate watch while lending loans with a constant track of customers and depositors.
- ☞ The Government and RBI need to know that most banks try their best to reach targets given and hence the banking sector need to have periodic discussions with the Government and RBI before any targets are fixed or rules are brought forth.
- ☞ Technology after this article I would categorize it as a boon to the banking sector still it would be recommended that banking customers are to be educated of the Technology related banking tools thus preventing the trust related challenge.
- ☞ ATM repairs are a major challenge. Banks should take steps to repair ATM's not functioning at the earliest.
- ☞ We can avoid risks of Privacy and security by having more protected software for banking through the internet and mobile.

SCOPE FOR FURTHER STUDY

Research in itself is so wide in scope that there is always scope for a further study. In the above study also there is a wide scope for study. Given below are only few areas were further research may be conducted:

- ❖ Primary data can be used to identify the challenges faced by banks.
- ❖ Technology in banking is a wide concept it would be interesting to do a research with primary data to tap the potential of technology in banking.

- ◇ Analyzing the bottle necks related to technology by means of primary data would also benefit the banks.

CONCLUSION

Banking sector has been criticized for many reasons but the above data clarifies the fact that they equally face challenges which they themselves are trying to overcome. While technology stands as a strong support for increase in banking business and transactions it is also not free from challenges. Thus it would be wise to say that technology is both a boon and a bane to the banking sector. But technology would be considered more of a boon in the future if the banks are able to overcome the challenges related to the same. A quote below shows the state of the banking industry today:

“There’s a loss of faith in the banking system that for so long has been the backbone of prosperity and growth.” -Lucy Powell

The faith in the banking system can be instilled back if the Government and banks work together to overcome the challenges faced over a period of time. It would be possible that the banking sector in the years to come overcomes all challenges and contributes its best towards the customers and society and towards the GDP of India.

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