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E-BANKING: AWARENESS, PERCEPTION, UTILISATION & CONSTRAINTS

ANUSHA PUNIA[1] & SUDERSHAN MEHTA[2]

[1]Research Scholar, Department of Extension Education and Communication Management,
I.C College of Home Science, CCS HAU, Hisar, Haryana, India

[2]Professor, Department of Extension Education and Communication Management,
I.C College of Home Science, CCS HAU, Hisar, Haryana, India

ABSTRACT

Internet banking has a simple meaning at the basic level. Internet banking can mean setting up of a web page by a bank to give information about its products and services. At an advanced level, it involves provision of facilities such as accessing accounts, funds transfer, booking an air or rail ticket and much more. Electronic banking is the wave of the future. It provides enormous benefits to consumers in terms of the ease and cost of transactions. Electronic banking also makes it easier for customers to compare banks' services and products, can increase competition among banks and allows banks to penetrate new markets and thus expand their geographical reach.

KEYWORDS: Internet Banking, Consumers, Benefits

INTRODUCTION

The improvement and upgradations in the technology has helped the user for easy access to the internet. Today students are interested in using a technology that helps them save their time, cost and energy. Electronic banking has emerged as an effective tool to provide them with the needful. E-banking is known by various names- internet banking, online banking, cyber banking, home banking, virtual banking and includes various banking activities that can be conducted from anywhere. Electronic banking is defined as "Delivery of bank's services to a customer at his office or home by using electronic technology".

The promise of ICT in the banking sector has been seen in terms of its potential to increase customer base, reduce transactions cost, improve the quality and timeliness of response, enhance opportunities for advertising and branding, facilitate self-service and customization and improve customer communication and relationship (Garau, 2002).

Habib (2012) mentioned the factors to consider when banks adopt technological innovations are assets of a bank, years of operation, urban location, deposits ratio, and expenses ratio. The quality, range and price of these electronic services decide a bank's competitive position in the industry. Technology in banking has been used in four major ways:

- To handle a greatly expanded customer base.
- To reduce substantially the real; cost of handling payments.
- To liberate the banks from the traditional constraints on time and place.
- To introduce new products and services.

E-banking as the delivery of bank's information and services by banks to customers via different delivery platforms that can be used with different terminal devices such as a personal computer and a mobile phone with browser or desktop software, telephone or digital television. It is a brew of services that embody Internet banking, Mobile banking, Fund Transfer System, Real Time Gross Settlement (payment & allotment system), Credit/ Debit/Smart/Kisan Cards, Cash government services, as well as Data warehousing, Operational interpretation for MIS as well as Customer Relationship Management.

DEFINING E-BANKING

There is now a multitude of meanings of e-banking and how to define e-banking. Internet banking as the process of providing banking services through technology without using physical resources of banks as well as customers. This definition reveals that internet banking uses fewer resources of banks and customers. Through internet banking, wide range of services are provided by banks through internet media such as bill presentation, funds transfer, investment purchases and sales, loan transactions, checking bank statements and many other services (**Alsajja and Dennis, 2010)**.

Beer (2010) describe internet banking is also called Online banking, e– payment and e–banking. E–payment is described as a means whereby banking businesses are transacted through automated processes and electronic devices such as personal computers, telephones, and fax machines, Internet card payments and other electronic channels.

Ozuru*et al*. (2010) describe internet banking is also called Online banking, e– payment and e–banking. E–payment is described as a means whereby banking businesses are transacted through automated processes and electronic devices such as personal computers, telephones, and fax machines, internet card payments and other electronic channels.

Burr (2013) describe electronic banking as an electronic connection between bank and customer in order to prepare, manage and control financial transactions. Internet banking allows consumers to access their bank and accounts to undertake banking transactions.

Why E-Banking?

E-banking is to augment or facilitate existing banking and payment mechanisms, primarily by making many transactions cheaper, faster, more secure, and more convenient. As a result such types of banking have been expanding day by day.

Amin (2007) in his title, “Internet banking adoption among young intellectuals” studies acceptance of internet banking among undergraduate students in Malaysia. This study worked upon a Technology acceptance and the results indicate that perceived usefulness, perceived ease of use have positive effect on behavioural intention. He also suggested that internet banking should be free from effort. Sufficient guidelines are needed to make sure the customers feel convenient while using internet banking. Further improvement in the quality of security and privacy should be done in order to increase the usage of internet banking.

Hernandez and Mazzon (2007) suggested that customers perceive service quality in relation to distinguishing the interaction of customers availing the service delivery and the quality of service outcomes in the case of internet banks. They also revealed that customers perceive internet banking services more convenient, less expensive and easy to use. To avail the convenience of internet banking, customers show their highest intentions to shift from traditional banking to internet banking services.

Ortega *et al.* (2007) researched that internet marketing facilitates customers in their daily life and professional life through funds transfer, bill payments and cash free shopping.

- There are not many inventions that have changed the business of banking as quickly as the e-banking revolution.
- World over banks are reorienting their business strategies towards new opportunities offered by e-banking.
- E-banking has enabled banks to scale borders, change strategic behaviour and thus bring about new possibilities.
- E-banking has moved real banking behaviour closer to neoclassical economic theories of market functioning.
- Due to the absolute transparency of the market, clients (both business as well as retail) can compare the services of various banks more easily. **For instance**, on the internet, competitors are only one click away. If clients are not happy with the products, prices or services offered by a particular bank, they are able to change their banking partner much more easily than in the physical or real bank-client relationship.
- From the banks' point of view, use of the internet has significantly reduced the physical costs of banking operations. As discussed by Turner (2001), progress in information technology has slashed the costs of processing information, while the internet has facilitated its transmission, thus facilitating change in the very essence of the banking business. Around the world, electronic banking services, whether delivered online or through other mechanisms, have spread quickly in recent years.

HISTORY OF INTERNET BANKING

Finland was the first country in the world to have taken a lead in E-banking. In India, it was ICICI bank which initiated E-banking as early as 1997 under the brand name 'Infinity'.

- The term 'internet banking' is not very developed and mature rather it has a history lengthened over last 3 decades.
- In the late 80s, the notion 'online' became popular. Since 1980s, the innovations in the banking system started and still continuing (Afshar, Siddiqui & Seeja, 2009).
- The term was initially used in context of the banking sector to avail the banking services through a terminal or computer by using the phone line. The concept of 'home banking' is alternatively used to illustrate the use of keypad for availing the internet banking services.
- In 1981, online banking services started from the New York. At that time, four major banks i.e. Chase Manhattan, Citibank, Manufacturers Hanover and Chemical started online banking services through the videotex system. In France, Videotex system failed to result in failure of online banking services (Afshar, Siddiqui&Seeja, 2009).
- In the United Kingdom, online banking started in 1983 when Nottingham Building Society (NBS) started to deliver online services. The services were delivered to customers through the Prestel system (Afshar, Siddiqui & Seeja, 2009). That system was appropriate to view bank statements online, paying bills and making money transfers through internet. Basically, this stem was based on telephone systems and offered home link services to

customers.

- In 1990s, more computer related technologies emerged and paved way of developing internet banking on more sophisticated scales.
- Then in 1994, Stanford Federal Credit Union became the first financial institution to offer online banking services to all of its customers (Afshar, Siddiqui & Seeja, 2009). It created the first online banking website for the customers.
- In 2001, Yodlee created aggregation software which allowed the customers to view all of their transactions and other details online.
- In 2005, Federal Financial Institutions Examination Council announced the rules and regulations for the internet banking service providers (Afshar, Siddiqui & Seeja, 2009).
- In 2007, Apple launches the i-phone and a shift from banking via personal computer to banking via smartphone begins.
- 2009 - 54 million US households were accessing bank accounts online. (Online Banking Report Jan, 2012).
- 2011- Online banking goes mainstream. Even late adopters choose to bank online and according to American Bankers Association (ABA) the majority of Americans aged 55+ prefer online banking over visiting a branch.
- 2013/14 – Mobile banking platforms came into existence.

SCENARIO OF E-BANKING

Let us now have a look at the scenario of E-banking. How far this technology has been able to penetrate the user base of banks and what is its current role in making banking facilities faster and easier to use.

Brodie*et al.* (2007) studied that many of us, are possibly not aware of the online services, banks are offering these days. With just a click, all his dues would have been cleared long back. However, it's never too late to mend. Indian banks are trying to make your life easier. Not just bill payment, you can make investments, shop or buy tickets and plan a holiday at your fingertips. Today Internet banking base has been growing at an exponential pace over the last few years. Currently around 78 per cent of the bank's customer base is registered for Internet banking.

Forrester (2008) predicted that online banking has grown gradually in the UK over the past decade and is now used by 31 per cent of adults. By 2012, 44 per cent of adults to use online banking in the UK, or nearly 22 million people.

Gikandi and Bloor (2010) pointed out that most of people avail internet banking service because it is convenient to operate and saves time.

Payment System/Functioning of E-Banking

- E-banking through PC/Laptop
  - Real Time Gross Settlement System (RTGS).
  - National Electronic Fund Transfer (NEFT).

- E-banking through Automated Teller Machine (ATM).
- E-banking through mobile banking.

E-Banking through PC/Laptop

- Real Time Gross Settlement System (RTGS).
- National Electronic Fund Transfer (NEFT).

Real Time Gross Settlement System (RTGS)

- Introduced by **RBI in 2004.**
- Real Time Gross Settlement System (RTGS) is a mechanism of transferring funds from one bank to another on a 'real time' and on 'gross settlement'.
- **'Real Time'** means the processing of funds transfer instructions at the time they are received.
- **'Gross Settlement'** means the settlement of funds transfer instructions occurs individually (on an instruction by instruction basis).
- RTGS systems are managed by RBI. Transfer anywhere within India.

National Electronic Fund Transfer (NEFT)

- Introduced by **RBI in 2005**.
- National Electronic Fund Transfer (NEFT) is a nation-wide electronic payment system that uses a secure mode of transferring funds from one bank branch to another bank branch.
- There is no limit either minimum or maximum on the amount of funds that could be transferred using NEFT.
- The fund transfer takes place in hourly batches - there are **eleven settlements from 9 am to 7 pm on week days** and **five settlements from 9 am to 1 pm on Saturdays**.

Table 1: Major Differences between NEFT and RTGS

	RTGS	NEFT
Suitable for	Large transfers	Small transfers
Settled in	Continuous	Batches
Minimum Transfer	Rs. 2 Lakhs	No minimum
Maximum Transfer	No Limit	No Limit
Timings–Monday to Friday (weekdays)	8:00 a.m to 8:00 p.m	8:00 a.m to 7:00 p.m
Timings – Saturday (weekends)	8:00 a.m to 3:30 p.m	8:00 a.m to 1:00 p.m

E-banking through Automated Teller Machine (ATM)

- ATMs are widely used electronic channels in banking.
- HSBC was the first bank to introduce ATM in India in 1987.
- It is a computer controlled device at which the customers can make withdrawals, check balance without involving any individuals.

- Later new private sector banks have taken the lead in introducing ATMs in a big way and the public sector banks also pursued the installation of ATMs all over the country.

The Common Functions of ATM Machines Are:

- Account balances inquiries;
- Cash withdrawals;
- Statement of accounts requests;
- Cash and cheque deposits.

Mohammed and Shariq (2011) in the city of Lucknow, U.P to examine the adoption of e-banking channels, particularly ATM, it was found that ATM was the most adopted technology by banks.

Pandian& Sharma (2012) states that during this modern times wherever cash plays a very important role for survival. ATM helps the individuals to require cash whenever required by them and additionally throughout emergency conditions.

Shariq &Tondon (2012) analysed that nearly all very important issue that influence customers to use the ATM services is it's convenience in use and availableness of machines.

Tuli et al. (2012) indicated that ATM was most often used channel. Customers adopted this channel because of safety, security, convenience and speediness offered by them.

Table 2

Growth of ATMs in the World	
Year	**Number of ATM**
2007	1,780,189
2008	1,912,178
2009	2,029,224
2010	2,154,970
2011	2,235,835
2012	2,407,775
2013	2,609,160
2014	2,848,190

Source: Global ATM Market and Forecasts to 2011 (Retail Banking Research)

E-Banking through Mobile Banking

- Mobile banking is an extension of IB.
- Mobile banking (also known as m-banking, SMS banking) is a term used for balance checks, account transactions, payments and other banking transactions through a mobile device such as a mobile phone.

M-Banking Usage in India

Table 3

Year	No. of Users (in million)
2011-12	12.96
2012-13	22.51
2013-14	35.53

Source: RBI, 2015

The above table states that M-banking usage in India is showing a positive trend. In terms of no: of users it was 12.96 million in 2011-12 and reached at 35.53 million in the year 2013-14.

Barnes & Corbitt (2013) describe mobile banking as an extension to application such as online banking and phone banking. Typical functions of m-baking include viewing account balances, transferring funds from one account to another, receiving alerts and paying bills. However, m-banking cannot support all banking functions. For instance, cash can only be withdrawn at physical branches or at automated teller machines.

Saleem & Rashid (2013) revealed mobile banking categorized as the latest development in electronic bank services, while the bank customers can review: balance inquiry, credit transfer, check account, SMS, payment transaction and other businesses according to banks instruction that send to them through mobile phones.

Wadhe and Ghodke (2014) reveals that consumers are aware about mobile banking service provided by their bank. Consumers are familiar about various banking transactions that can be done with the help of mobile banking. Consumers think that mobile banking is easy to use. According to them major advantage of mobile banking is -anywhere, anytime banking and is flexible.

Problems Faced By the Customers While Using the Banking Services through E-Channels

- E-channels are creating more confusion to the customers.
- E-bank service charges are high (hidden cost).
- More formalities are required.
- Smart card sometime creates technical hurdles to make payments.
- Lack of ATM service, crowd in peak hours and restriction in withdrawal.
- Lack of infrastructure and unsuitable location of ATMs.
- Unauthorized access within the network and loss or damage of data by hackers.
- Inability to manage information properly and to deliver products or services.
- Inadequate information to customers about product use and problem solution procedures.
- Inaccurate processing of transactions and transaction has not been uploaded.
- Significant problem with network connection.
- Lack of knowledge regarding use of E-channels.

Uppal and Chawla (2009) found that the customers of public sector, private sector and foreign banks in Ludhiana district of Punjab are interested in e-banking services, but at the same time are facing problems like inadequate knowledge, poor network, lack of infrastructure, unsuitable location, misuse of ATM cards and difficulty to open an account.

Agarwal et al. (2012) has examined Indian customers' perception in the context of e-banking and found that people in the age group of 31-45 years using e-banking most frequently but slow transaction speed was found to be the most frequent problem faced, closely followed by non-availability of the server while using e-banking.

CONCLUSIONS

- E-banking which has emerged as a medium of providing banking services with lesser need for infrastructure.
- Many financial innovations like ATMs, credit cards, RTGS, debit cards, mobile banking etc. have completely changed the face of Indian banking. Banks are making sincere efforts to popularise the e-banking services and products as theyincrease customer satisfaction because customers may access their accounts from anywhere, and whenever they want.
- 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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