

IMPACT OF E-BANKING ON OPERATIONAL PERFORMANCE OF BANKING SECTOR IN INDIA

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Abstract: With the development of information technology, the world has become a global village and it has brought a revolution in the banking industry. Bank customers are becoming very demanding and it is the extensive use of technology that enables banks to satisfy adequately the requirement of customers. IT is no longer considered as mere transaction processing or confined to management information system. The wind of liberalization, globalization, and privatization has opened new vistas in the banking industry in the generation of an intensely competitive environment.

I INTRODUCTION

The last decade has witnessed a drastic change in the economic and banking environment all over the world. With the economic and financial sector reforms introduced in the country since early 1990s, the operating environment for banks in India has also undergone a rapid change. The process of deregulation and reforms in the Indian banking system resulted in the creation of an efficient and competitive banking system. Deregulation has opened up new vistas for banks to increase their revenues by diversifying into universal banking, investment banking, bank assurance, mortgage financing, depository services, securitization, personal banking etc. An inevitable result of globalization is that it increases the soundness of financial system as a whole and facilitates global competition. At the same time, liberalization has opened the turf to new players and brought greater competition among banks. To survive in this competition, the information and communication technology significantly contributed to the exponential growth and profit of financial institutions worldwide.

Technology is the key to move towards providing integrated banking services to customers. Indian banks have been late starter in the adoption of technology for automation of processes and the integrated banking services. There are various factors which have played vital role in the Indian banking sector for adoption of technology. Firstly, the economic reforms introduced by the government almost fifteen years back which resulted in opening up of new vistas for banks outside the world. Government relaxed rules and regulations, and simplified the processes for the FII to make investment in the banking and

various sectors. This resulted in inflow of large funds in the economy thereby improving the economy as a whole and banking sector in particular. Due to this reason, banks need to provide such services, which satisfy the urge of foreign investors. Secondly, as a part of reforms Indian banking was opened for private sector by which old and new private sector came into limelight. They gave a big boost to technology and created a platform to use it for backside and front-side operations.

II REVIEW OF LITERATURE

Durkin and Howcroft (2003) evaluated that the banker-customer relationship was improved through mobile, phone and internet banking. The authors found that new technology has made the banks very competitive and profitable and internet has played a key role in it. Perception of bankers and customers regarding the use of internet was examined. They pointed out that as consumer usage of remote bank delivery channels increases, relationship management will become more important. Further, the combination of traditional and new delivery channels, if followed, can help to improve their productivity and profitability.

Lustik (2004), in his study, tried to assess the profitability of electronic banking services for the banks. In order to analyse the cost structure for traditional and electronic channel transactions, the author explored the implementation techniques of activity based costing (ABC). The results of the study indicated that electronic channels provide cost saving for banks and their clients. The study revealed that with help of ABC technique, banks can reduce and regulate some costs. It was also found that the decrease in transaction costs after introduction of electronic channels was slower than expected as existing traditional channels could not be closed at the same speed as the new electronic channels were introduced.

Ramani (2007) studied the impact of e-payment system on Indian banking sector. E-payment was required for handling large volume of business payment and remittances for hassle free, quicker and faster payment remittances at low cost, and paperless transactions. The researcher highlighted various steps taken by RBI for the epayment. It includes RTGS, deferred net settlement system such as electronic clearing services debit and credit, electronic fund transfer and NEFT. The researcher studied that these methods had increased the use of core banking solutions, data warehousing and data mining. E-payment had reduced the chances of fraud, improved customer service by cutting the delay in payment obligation.

III OBJECTIVES OF THE STUDY

1. To study the nature, growth and extent of electronic banking services in the Indian banking sector.
2. To assess the impact of e-banking in the banking sector in India.
3. To examine the impact of e-banking on the operations, payment and clearing system in the banking sector.

IV SCOPE OF THE STUDY

This study presents an overview of Indian Banking with the main emphasis on electronic banking. It also highlights specific objectives of the study and explains the need for the present research work.

V RESEARCH METHODOLOGY

The study is based on both the primary and secondary data. The search was conducted through a worldwide web with using a various websites viz. www.banknetindia.com and websites of banks found at www.rbi.org.in and www.google.com to discover the main pages and home pages of 50 public and private sector banks. The secondary data was collected from journals, internet etc.

VI ELECTRONIC BANKING PRODUCTS AND SERVICES

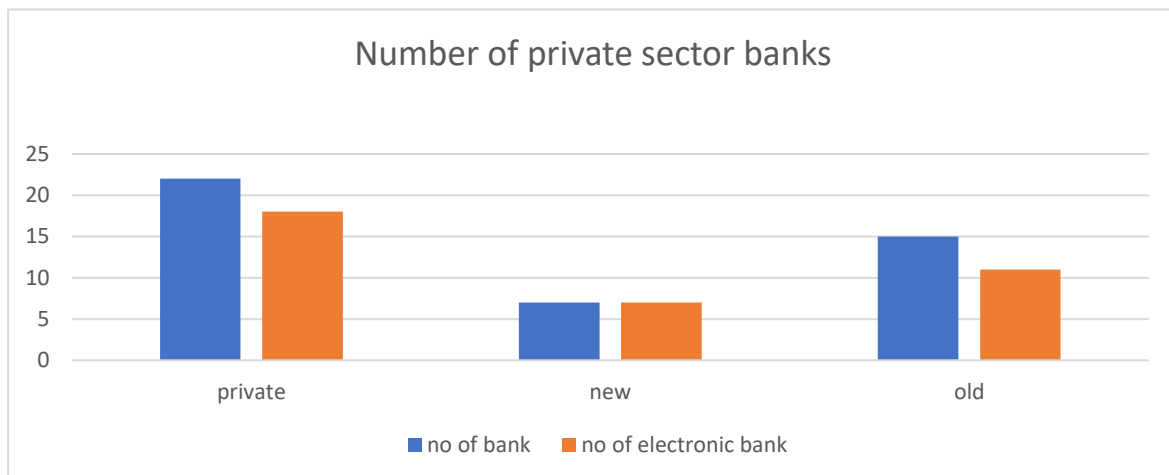
Automated Teller Machine: ATM is a cash rending teller machine. This is a machine which is frequently seen at banks and other locations, such as shopping centres and building societies. Customers can withdraw any sum up to a limited amount, can view the status of his account and order a new cheque book. There is a number called Personal Identification Number (PIN), which is a key for carrying the desired transactions.

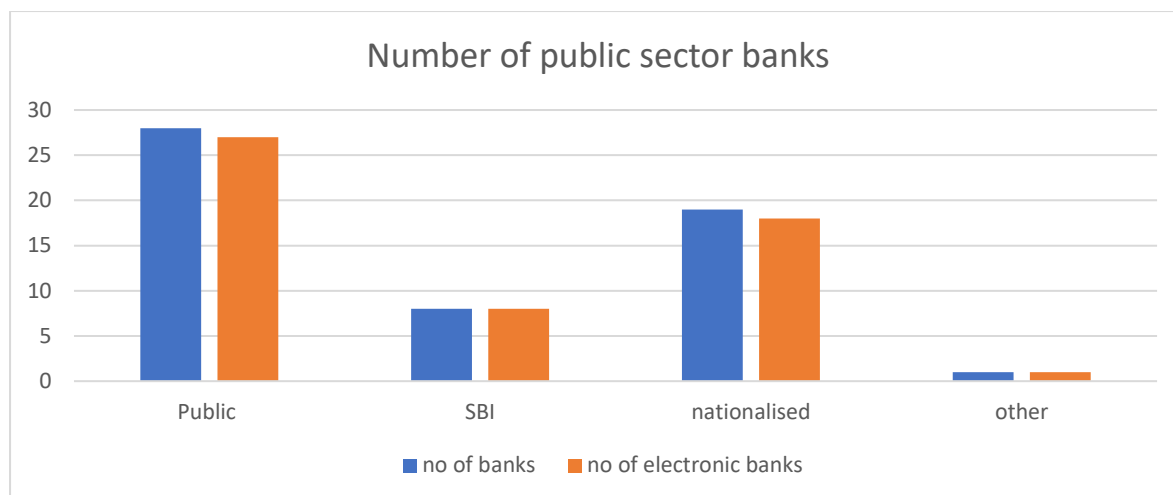
Mobile Banking: The traditional brick and mortar is done from fixed branch premises, where the customer has to go personally for carrying out business transactions. Through mobile banking the customer can conduct a host of banking transactions and inquiries through the mobile. Mobile banking can also be carried through a mobile van with or without 29 computerized banking system.

Electronic Fund Transfer (EFT): Electronic fund transfer facilitates the quick movement of deposit money from one bank account of one customer to the bank account of another customer. In this system, the sender and the receiver may be located at different cities.

VII DATA ANALYSIS

Bank	Number of banks	Number of electronic banks
Private sector banks	22	18
New	7	7
Old	15	11
Public Sector Banks	28	27
SBI	8	8
Nationalised	19	18
Other public sector	1	1
All	50	45





From the above graphs it is clear about the number of public and private electronic banks. The total number of private sector banks are 22 in that number of electronic banks are 18. The total number of public sector banks are 28 in that number of electronic banks are 27 which includes SBI, Nationalised and Other public sector banks.

VIII SUGGESTIONS

The public sector banks must improve its service quality in terms of communication, responsiveness, reliability and understanding. If the private sector intends to improve its service quality level, it must improve its service quality in terms of access, credibility, tangibility, security and competence where there is significant gap between two sectors and mean score of public sector in all these dimensions are high.

IX CONCLUSION

The study brings out the impact of e-banking on operational performance of the banks, workload on employees as well as on their performance and productivity. The study reveals that there is a change in personal development and relations after adoption of e-banking. In the study it was found that there is reduction of work in the banking activities after e-banking. Time taken in making draft is somehow decreased. Further the time taken in transaction now has been decreased gradually as online transaction consume less time than manual transactions.

The research shows that electronic banking offers number of modes for payment. It provides fastest and effective mode of payment to the customers anywhere, anytime. In different modes of payment, ATM is the fastest and easiest mode suitable to customers. The study also

suggested the methods to improve the services of electronic banking. Though every bank is making the best efforts to provide e-banking services, still there is a need to improvement. Most of employees feel that there should be staff training and education to tackle the complex e-banking.

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XI REFERENCES

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