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A Study on E-Banking Channel in Indian Banking Industry - With Reference to SBI and ICICI Banks

Veena K.P.¹ and Nayana. N.²

¹Department of Master of Business Administration (MBA), Visvesvaraya Technological University, Post Graduation Studies, Mysore Regional Centre, Mysore – 570029, Karnataka.

²Department of MBA, GSSSIETW, Mysore – 570016.

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ABSTRACT

Internet banking has made drastic changes in the banking system of India. The Indian banking with its large network provides various kinds of E-Banking services to the customer. Now a day's most of the banking transaction happens through E-touch. E-Banking is modernizing the whole system of the bank with the aid of technology. Though the bankers as well as the customers were facing some initial hitch with the introduction of E-Banking, later stages the country has witnessed a wide spread acceptance of technology for banking. The SBI and ICICI banks plays very crucial role in banking industries. The paper attempts to give an insight on various E-banking services and the latest development in E-Banking for the period of 2010-11 to 2015-16. The paper also focuses on the challenges faced by banking industry in adopting the E-banking with the help of IT.

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Introduction

Banking is very much important now a day to the society. The banking industry believes that by adopting Technology, the customer are improved and satisfied with the services. The banking industries are also looking for new methods to expand its customer base and to counteract the aggressive marketing effort of those non-traditional banking entities. Larger banks that maintain expensive branch networks tend to have the greatest incentive to adopt e-banking services. In comparison, smaller banks have higher start up costs and tend to have a high initial technological cost in developing e-banking services. Information Technology has become a necessary tool in today's in any organizations. Banks today operate in a highly GLP (globalized, liberalized, privatized) and a competitive environment. In order to survive in this environment banks have to use IT. IT has introduced new business paradigm. It is increasingly playing a vital role in improving the services in the banking industry. Indian banking industry has witnessed a incredible developments due to sweeping changes that are taking place in the information technology. Electronic banking has emerged from such an innovative development. But now we can see fairly developed banking system with various classes of banks – public sector banks, foreign banks, private sector banks, regional rural banks and co-operative banks with the Reserve Bank of India as the fountain Head of the system.

E-Banking in India

Online Banking is also known as Internet banking, E-banking or virtual banking. It is electronic payment system that enables customer of bank or any financial institution to conduct financial transaction through website. The term 'online' became popular in the year 1980's and referred to the use of a terminal, keyboard and TV (or monitor) to access the banking with the help of phone line.

Online services started in New York in 1981 when major banks offered home banking services. Around 1994, banks saw the growth in internet as an opportunity to advertise their services. Initially, they used the internet as another brochure, without interaction with the customer. Early sites featured pictures of the bank's officers or buildings, and provided customers with maps of branches and ATM locations, phone numbers to call for further information and simple listings of products. The Reserve Bank is monitoring and reviewing the legal and other requirements of e-banking on a continuous basis to ensure that e-banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability-banking Various Delivery channels/Products/Services are- Automated Teller Machines (ATMs), Internet Banking, Mobile Banking, Tele-banking, Electronic Clearing Services, Electronic Clearing Cards, Smart Cards, Door Step Banking, Electronic Fund Transfer

State Bank of India: An Overview

State Bank of India (SBI) is an Indian multinational, public sector banking and financial services company. It is a government-owned corporation with its headquarters in Mumbai, Maharashtra. As of 2014-15, it had assets of ₹20.480 trillion (US\$300 billion) and more than 14,000 branches, including 191 foreign offices spread across 36 countries, making it the largest banking and financial services company in India by assets. The company is ranked 232nd on the Fortune Global 500 list of the world's biggest corporations as of 2016.

Review of Literature

Uppal (2011), The present paper analyzes "E-Age Technology- New Face of Indian Banking Industry: Emerging Challenges and New Potentials"- the performance of major banks in terms of productivity and profitability in the pre and post e-banking period.

Tele:

E-mail: kpveenamurthy@gmail.com

Under the regime of banking sector reforms, IT Act of 1999 gave new dimensions to the Indian banking sector. The present paper is concerned with the Indian banking industry. Total nine banks have been selected on the basis of their market share in business in 2003-04, three banks from each bank group i.e. public sector banks, new private sector banks and foreign banks. The paper concludes that performance of all the banks under study is much better in post-e-banking period and further foreign banks are at the top position, whereas the performance of the public sector banks is comparatively very poor. 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.

Karimzadeh and Alam (2012), undertook study on "Electronic Banking Challenges in India: An Empirical Investigation" "This paper provides a possible six factor model centered upon the following: infrastructure, knowledge, legal-security, socio-cultural, economic and management and banking issues. The results of the study indicate that legal and security, socio-cultural, and management and banking issues are accepted as challenges for the development of e-banking but that there is less awareness regarding new technologies and unsuitable software which are ranked respectively as the highest and lowest obstacles in India. This paper is to identify the important parameters affecting the development of e-banking. To determine the dimensions of e-banking and its challenges, a questionnaire survey was conducted.

Singh (2013), describes "An Exploratory Study on Internet Banking Usage in Semi-Urban Areas in India". The study was exploratory in nature and sample size considered for the study was 100 respondents, those were having account in that banks, which provide the Internet Banking facility, but they are not using it. The primary data was analyzed by factor analysis and identify the nine factors i.e. cost, reliability, processing barriers, security issues, technological incontinence, lack of infrastructure, conventional approach, risk and resistance, which were the barriers in the usage of Internet Banking services in the semi-urban areas. The paper concludes- for beginners, Internet banking is really time consuming process. In addition to this, people also find a difficulty in trusting a completely mechanized system like Internet Banking, in case of financial matters. In many instances, a simple mistake, like clicking a wrong button, may create a big problem.

Dagar (2014), emphasized a study on "Online Banking : Benefits and Related Issues" the aim acquaintance of internet banking, benefit and challenges. The paper analyze internet banking: E-banking includes the systems that enable financial institution customers, individuals or businesses, to access accounts, transact business, or obtain information on financial products and services through a public or private network, including the Internet. Customers access e-banking services using an intelligent electronic device, such as a personal computer (PC), personal digital assistant (PDA), automated teller machine (ATM), kiosk, or Touch Tone telephone. While the risks and controls are similar for the various e-banking access channels, this booklet focuses specifically on Internet-based services due to the Internet's widely accessible public network. The objective of this paper- The primary objective of the research paper is to get the full acquaintance of the internet banking and its benefits, and to know the challenges in Online banking.

Vij, and Kavita and Vinod (2014), undertaken study on "Role of E- Banking in Current Scenario", This paper aims- Identifying the most widely used internet banking services. A number of services are being offered through e-banking- It is quite difficult to measure the extent of such services, but an effort has been made by classifying these services into categories. The paper focused on the impact of e-banking through different websites, services being offered by the banks have been categorized into informational and transactional services. And the extent of these services has been measured through ATM services offered by the banks. This research shows that the application of e-banking can help their local banks reduce operating costs and provide a better and fast service to the customer. It provides an insight into various aspect of E-banking.

Chauhan and Choudhary (2015), focused on "Internet Banking: Challenges and Opportunities in Indian Context"- The present paper attempts to understand the concept of internet banking and benefit of internet banking from perspective of consumers as well as banks. Further, this paper discusses the challenges and opportunities associated with the internet banking in Indian context. The discussion concludes that concept of internet banking is slowly gaining acceptance in Indian scenario and efforts are being made by government agencies to make it more popular among consumers. The paper only presents the overview of Internet banking in Indian context. Studies in the past have shown that with the time Indian consumers are opting internet banking services with the time. Considering this in mind, the future studies may be conducted to analyze the various factors which influence the consumer intention to adopt internet banking services.

Objectives of the study

1. To know the various e-banking services adopted by SBI and ICICI banks.
2. To analyze the progress in E banking made by SBI and ICICI;
3. To study the challenges faced by banking system in Indian by adopting of technology; and
4. To offer the findings and recommendations and conclusion in the light of the study.

Research Methodology

The present study is descriptive in nature. The data used for the study is secondary data. The tools used to analyze progress of SBI and ICICI Banks is simple growth rate (GR).

Growth rate

$$= \frac{\text{value of current year} - \text{value of Base year}}{\text{value of Base year}}$$

And the sources of data are Report on trends and Progress of Banking in India Published by RBI, Mumbai from the year 2011-12 to 2015-16. RBI bulletin, Annual Report of SBI and ICICI banks, Journals, Articles, Newspaper, Website.

Analysis and Interpretation:

Automated Teller Machines (ATMs):- ATMs are available round the clock. It is also known as **Automated Banking Machine (ATM)** that helps bankers to perform financial transaction without any help of Human resource. ATMs are very convenient channel throughout the World. The ATMs are connected with hub which having directly contact between network systems. This helps the client/customers to withdraw, deposits, mini statement, Mobile recharge and other from ATM.

Table 1 shows the on and off site of ATMs of SBI and ICICI Banks for the period 2011-12 to 2015-16. In SBI bank average terms Onsite ATMs 14996.8 are less as compared to

Table 1. Automated Teller Machines (ATMs) of SBI and ICICI .

Year / Category	SBI						ICICI					
	On site	GR	Off site	GR	Total	GR	On site	GR	Off site	GR	Total	GR
2011-12	10962	-	9318	-	20280	-	2724	-	3467	-	6191	-
2012-13	12198	11%	9943	7%	22141	9%	3032	11%	5974	72%	9006	45%
2013-14	15037	23%	12138	22%	27175	23%	3322	10%	7159	20%	10481	16%
2014-15	16384	9%	29118	140%	45502	67%	4217	27%	8234	15%	12451	19%
2015-16	20403	25%	29321	1%	49724	9%	4603	9%	9163	11%	13766	11%
Average	14996.8		17967.6		32964.4		3579.6		6799.4		10379	

Source: Report on Trends and Progress of Banking in India, RBI, Mumbai, Various Issues.

Offsite ATMs 17967.6 though the number of both has increased in the period of 5 years. In 2015-16 the total growth rate in SBI and ICICI are declined. In SBI bank average terms Onsite ATMs 3579.6 are less as compared to Offsite ATMs 10379 though the number of both has increased in the period of 5 years. The above analysis shows on site ATM are Less Compared with Offsite ATM. It shows the SBI and ICICI on site ATM machines that are set up in the premises where there is a bank branches physical present with branches and ATM. The offsite ATM machine set up standalone are more.

Electronic Payment Systems: - NEFT –it is one of prominent electronic fund transfer system in India. This enables one to basis access to transfer funds in securely and easily. The electronic payment systems such as National Electronic Fund Transfer (NEFT) have improved the speed of financial transactions across the country.

Table 2. Volume of National Electronic Fund Transfer (NEFT) of SBI and ICICI Banks.

Year/Transaction	SBI		ICICI	
	No. of Transaction Volume		No. of Transaction Volume	
	NEFT Credit	NEFT Debit	NEFT Credit	NEFT Debit
2011-12	4799881	3763484	2715611	2584263
2012-13	8551362	8172219	3711886	4464856
2013-14	15056797	19102401	5238557	6505478
2014-15	17867393	26906303	6890314	8067035
2015-16	23137464	22476796	8023780	10104823

Source: Report on Trends and Progress of Banking in India, RBI, Mumbai, Various Issues.

Table 2 shows volume of National Electronic Fund Transfer of SBI and ICICI banks. The NEFT credit is less compared with Debit in both SBI and ICICI. In case of NEFT Debit Transaction in SBI increasing, but in 2015-16 a slight declined is observed. The transaction of Fund received from the originating bank i.e., debit NEFT is greater than the fund given to the destination bank i.e., credit NEFT.

Mobile Banking: with the use of smart phone the banking

Table 3. Mobile Banking Transactions of SBI and ICICI.

Mobile Banking				
Year	SBI		ICICI	
	Volume (Actual)	Value (Thousands)	Volume (Actual)	Value (Thousands)
2011-12	2560751	1074187	278980	811845
2012-13	4033349	2473161	979088	2866386
2013-14	5388126	4514696	1778957	7860236
2014-15	8044577	16607289	3775221	25153160
2015-16	17172296	200073320	7820784	114234892

Source: Report on Trends and Progress of Banking in India, RBI, Mumbai, Various Issues.

Table 4. SBI And ICICI Bank Number of Debit Cards Issued (at end March, 2016) (No. in millions).

Bank Group/Year	2011-12		2012-13		2013-14		2014-15		2015-16		Total
	No.	% of total	No.	% of total	No.	% of total	No.	% of total	No.	% of total	
SBI	73.1	11.7	90.9	14.6	110.4	17.7	160.7	25.7	189.3	30.3	624.6
ICICI	16.0	14.4	16.3	14.7	18.6	16.7	27.6	24.8	32.6	29.3	111.3

Source: Report on Trends and Progress of Banking in India, RBI, Mumbai, Various Issues.

banker and customer perspective. Mobile banking is pocket banking which is useful in Modern days.

Table 3 showing a Mobile Banking Transaction of SBI and ICICI from 2011-12 to 2015-16, SBI and ICICI is having gradually growth from 2011-16 but SBI is having more Volume and Value compared to ICICI. SBI bank services in Mobile banking is helping for the customers to monitor the account balance, bill payments, and locating ATM is more.

Electronic Clearing Cards: - Electronic Clearing Cards can be used debit and credit purposes. ECS –Electronic mode of funds transfer from one bank to another. It is fastest payments, collection and paperless transaction. It is used by the institution to make a payment for salary, pension, dividend interest etc. The important difference between a Credit card and a Debit card is that while credit card is a post- paid and debit card is pre-paid.

Table 4 shows SBI and ICICI Bank number of debit cards issued as at end March 2016. The number of Debit cards issued has increased from 73.1 million in 2011-12 to 189.3million in 2015-16 of SBI Bank. And ICICI Debit cards issued has increased from 16.0 million in 2011-12 to 32.6 in 2015-16. Totally from 2011-16, SBI banks have highest number of debit cards issued that is 624.6. And ICICI have 111.3 total debit cards issued by the industry. In SBI plastic card user are more in numbers compared with ICICI bank users. SBI customers are more by keeping hard cash in the bank compared to ICICI.

Table 5 shows SBI and ICICI Bank number of Credit cards issued as at end March 2016. The number of credit cards issued has increased from 2.1 million in 2011-12 to 3.6 in 2015-16 of SBI Bank. And ICICI credit cards issued has increased from 3.4 million in 2011-12 to 3.7 in 2015-16. Totally SBI banks have lowest number of Credit cards issued 13.7 Compared with ICICI have 16.1 total credit cards issued by the industry. The ICICI customers are benefiting with the services charged by the bank compared to SBI. So we can find more number of credit holders.

Table 5. SBI And ICICI Bank Outstanding Number of Credit Cards issued.

Bank Group/Year	2011-12		2012-13		2013-14		2014-15		2015-16		Total
	No.	% of total	No.	% of total	No.	% of total	No.	% of total	No.	% of total	
SBI	2.1	15.3	2.2	16.3	2.6	18.8	3.2	23.1	3.6	26.5	13.7
ICICI	3.4	20.9	2.8	17.7	2.9	17.9	3.3	20.7	3.7	22.8	16.1

Source: Report on Trends and Progress of Banking in India, RBI, Mumbai, Various Issues.

Challenges in adoption of E-banking

E-banking is facing following challenges in Indian banking industry:

- **Change in Technology:** The requirement of adequate level of infrastructure and the capacity of human adopting the technology in developed and developing will make very challenging part when initiated. Handling the technology in efficiently and utilization is also a another part.
- **Security and Authentication:** Banker and Client managing the confidentiality and it matters in e-finance.
- **Competition:** The banks are many with E-banking Products where positing the product and brining into action is a challenging part.
- **Strengthening the public support:** In developing countries, in the past, most e-finance initiatives have been the result of joint efforts between the private and public sectors. If the public sector does not have the necessary resources to implement the projects it is important that joint efforts between public and private sectors along with the multilateral agencies like the World Bank, be developed to enable public support for e-finance related initiatives.
- **Confidentiality, integrity and authentication:** These three are the very important features of the banking sector and were very successfully managed all over the world before the coming of internet.
- **Customer Satisfaction:** In today's competitive world, satisfaction of customers is a major challenge for the banking sector because customers have alternative choices in various types of services provided by banks.
- **Developing the skill of bank person:** Due to modernization technologies are updated in version but people working for the bank are aware of functioning of Technology.
- **Human resource planning:** the Man are replaced by Machine if this is the case planning is done for man or machine if so when machine performance is less when slow down in network. Hence a great challenges ahead.

Recommendations

- To prevent online banking from remaining an expensive additional channel that does little to retain footloose customers, banks must act quickly.
- The first and most obvious step they should take is to see to it that the basic problem fueling dissatisfaction has been addressed by the technical person.
- The banks should take up the responsibility of awareness to the customers and all the benefits of internet banking.
- Banks need to appeal to customers who may not be technologically sophisticated, and should not require an engineering degree to get started or use the service.

Conclusion

Technology innovation arise competition between the SBI and ICICI are making tremendous changes. The Indian banks are making more efforts for the adoption of advanced technology and installation of e-delivery channels and its parameters, but e-banking concept are wide risk and security. SBI and ICICI are putting more effort on popularizing the e-banking services and products. Some time a touch or clicking a wrong button creates a mistake and suffer to make it correct. Finally Banks are making sincere efforts to popularize the e-banking services and products. Younger generation is beginning to see the convenience and benefits if e-banking. In years to come, e-banking will not only be acceptable mode of banking but will be preferred mode of banking and it is infancy.

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