



## Impact of internet banking on banking system of India

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### Abstract

The internet banking system has played an important role in changing banking system of the India. It has connected each and every part of the country to the banking system. The concept of internet banking was introduced in India after coming of the concept of liberalization, privatization and globalization in year 1991. After this the concept of RTGS, NEFT, IMPS and UPI was introduced which totally changed the banking system of India and transformed it into internet banking system. The impact of internet banking is it is cost effective service, less time taking, easily reachable to each and every member of the country and it is providing 24 x7 services to the people of the country. As there are 2 sides of the coin same thing is here also with positive impacts there are also many negative impacts of banking system less education, poor internet connectivity, weak legal system, daily happening of the banking frauds and the cost value of the digital devices is not easily affordable. The central bank of India and Parliament has brought many guidelines and laws to solve this problem but these laws are not sufficient there should be more strict laws then only internet banking system can work properly in India.

**Keywords:** Internet banking, technology, digital India, internet education, data breaches, paperless transaction, banking efficiency, security concerns

### Introduction

Indian banking system has witnessed huge change and transformation in last few years and coming of the concept of the internet banking can be considered as the reason for it. In a country where there is very vast banking system and it was a tough task to connect each and every person to the banking system. Internet banking has played an important role in connecting each and every person to the banking system. Internet banking has not only provided the opportunities to the banking system but also to the consumers. Internet banking has connected our banking system with the system of other countries. It was not an easy task to connect Indian banking system with the internet banking. The banks have to face many problems during this procedure of the connection. Indian banking system has faced many problems in the past it was very big task to connect people of India to banking system and internet banking system. India after getting independence does not has a settled banking system because most of the banks were private at that time so coming of the concept of banking regulation act in 1949, Nationalization of banks in the 1969 and Liberalization, privatization and globalization in 1991 has made major role in the development of the Indian banking system<sup>[1]</sup>.

The coming of the concept of the liberalization, privatization and globalization in 1991 introduced the internet banking system in India. The concept of internet banking was introduced but after that also it was a very big task to connect all the banks with internet banking because there were many hurdles in between like internet connectivity was very big issue because not all banks were connected with the internet services and second biggest problem was staff was not well versed with the concept because there was not education related to the internet at that time but with change the time and coming of the concept of the digitalization played an important role in

making bankers well versed with this concept of internet banking. Now almost every banks of the country are connected with the internet services and the impact of it is that now Indian banking system is in a race of becoming paperless banking system. The bank staff needs not to face any problem while entering the data there is easy collection of the data. It has helped the banks to provide 24x7 services to the customers. The coming of the concept of the internet banking has helped the Indian banking system but with that it has also brought many problems like online banking frauds, connectivity issues, less people are well versed with it. So all these things will be deal in my research paper in detail.

### Historical prespective

The history of the internet banking in India can be traced back to year 1991 which introduced the concept of the liberalization, privatization and globalization and leads to introduction of the internet banking in the India. Internet banking system was growing in very slow speed but coming of the Information technology act in, 2000 brought speed in number of the customers using internet banking because this act provides protection to the people who are using the internet banking service. In 2002 the mobile banking started in India with the help of the sms services. In 2004 RTGS system was introduced which helped in doing transaction globally with the other countries of the world. In 2005 NEFT was introduced which helped in doing transaction with the people of our country and in this transaction can by the person sitting in one part of the country to the person sitting in the other part of the country. In 2007 the concept of the truncated cheque was introduced in this in no time the money can be deposited from one account to another with the help of the cheque because now bank manager was given permission that now they can send the scanned copy of the cheque to the banks from where the transaction

should take place. In 2009 the guidelines were brought that no charges will be applied on the transaction of the money from the automatic teller machine. In 2010 IMPS which is known as immediate payment system was introduced through this system in no time the transaction can be done from one account to another account. This was considered as the easiest way of the transaction [2].

The biggest change was brought after coming of the digital Indian scheme in 2015 which played an important role in connecting people with the internet services. In 2016 the coming of UPI and Bharat pay also increased the internet banking system of India. Now each and every person whether he is rich or poor, small businessman or big businessman are using this system of the internet banking. Internet banking has changed life of the people in India in so fast rate that even a small vendor is having the QR code scanner on his shop. The internet banking system had also helped the people during demonetization time in 2016 because at that time people were not having money with them so internet banking helped in the transaction at that time and during the period of the COVID-19 also internet banking have played major role in doing payment from their house and with maintaining proper social distancing. So internet banking played an important role in working of the Indian banking system in these two times [3].

### Internet banking

Internet banking is also known as E-Banking or digital banking. Internet banking helps in doing their transaction through the internet. It is a digital service which is provided by the banks and the financial institutions that helps the customers to conduct various financial transactions and manage their account over the internet. It enables the customers to access the bank accounts, perform bank activities and obtain financial information with the help of their computer and mobile devices. Internet banking helps in the proper management of their accounts they can get information and details about their bank accounts from their house there is no need to go to banks for it. The fund transfer can be done from one bank to another bank in no time and there is no need to stand in long lines of the banks [3].

The coming of the concept of the internet banking in India has changed the life of the people in very fast rate now the people need not to go to the banks for their work they can do their banking work from their house. The problem which the people faced in India before coming of the concept of internet banking were delay in the transaction, time taking process, standing in long lines of the banks and monopoly of the banking staff but coming of the internet banking has removed all these problem now fast transaction methods have been introduced in banking system which has helped the people in doing transaction proper, biggest problem of standing in lines of the banks also has been solved previously people have to stand in the long lines of banks with keeping their work aside and the monopoly of the bank staff has been also stopped not fully but you can say now bank staff has very less chance to perform their function arbitrarily because all the things is digitalized now. The biggest change which internet banking brought was bringing of UPI method in this people can directly transfer money by scanning the QR code and by paying money on the number of the person [4].

The international delegates who came to India for G-20 summit also liked this UPI system of India and they also

used this system for doing transaction in Indian market. The Indian internet banking system is getting appraised all over the world. India has highest number of the internet banking users more than one hundred crore people are using internet banking in India today. There have been no discrimination on the bases of rich or poor all the sects of the society are in same position. Even a small vendor who is selling vegetable is having QR code on his shop and big car seller is also having QR code on his shop so this thing has widen the gap between all the sects of the society and has brought all the people of country together in a mobile phone or computer.

### Impact of internet banking

#### 1. Convenience and Accessibility

Most important benefit of the internet banking is the convenience and accessibility that it provides to its customers. With the help of the internet banking customers can access their bank accounts, check balances, check transaction history and transfer funds with sitting from any part of the country. The convenience has reduced the physical visit of the people to the banks now they can do their work of bank from their house. In India most of the population lives in the rural areas so internet banking has made it easy to people to reach the banks and it has connected all the rural areas of the country to the banking system.

#### 2. Cost effective banking

Internet banking has proven a cost effective banking system because it has reduced the cost of travelling, cost of papers and cost of the staff involved in the banking work. Banks are also getting profit after coming of this concept because they do not need more staff, no problem to deal with the people physically, less investment on paper and stationary and no need of the big offices. So all these things are helping the banks in gaining the profit. Internet banking has helped the banking system in maintaining online records. So internet banking has proven cost effective to banks as well as its customers [5].

#### 3. Enhanced Security

The internet banking system has provided security to both banks as well as customers. Now there is no fear of the robbery and theft because all the transaction took place in the online medium and very less or no cash is present with the people now. The banks have provided the id and password to the people which have provided security to the accounts of the people. The banks are time to time circulating advertisements related to not to share the password, pin or otp with any other person. So this is providing security to the banking system and it has helped people in gaining trust towards the banks and without any type of the tension the customer can invest their money in the banks.

#### 4. Time saving service

Internet banking is considered to be the time saving service and it saves the time of both the customers as well as the banks. Now there is no need to go to the banks now transaction can be done from their house. In one click they can transfer money to the person living in any part of the world. Internet banking has also made it easy to the banks to maintain their data of banking accounts and of the transaction that took place in whole day. Now there is no

need of writing down and maintaining of big files of the transactions that has taken place in whole day and in one click now they can save and get the data. So the internet banking has proven a time saving process to banks and its customers.

### 5. Paperless Transaction

The internet banking has increased the number of the paperless transactions. Now there is no need to noting down of data. Data can be easily maintained in the computers. There is also no need of maintaining big files all the data can be saved in the computer. This has also helped in saving the environment because the paper comes from the tress. The government is also bringing schemes like digital India which has increased the paperless transaction among the people. This paperless transaction has helped the banks in maintaining the record in proper way. Now there is no need of the record rooms and no fear of the rats and termites that previously destroyed all the data files of the banks now all the data can be maintained in the computer and this data remain saved for as many years as you want.

### 6. Financial Inclusion

Internet banking has played an important role in financial inclusion. It has decreased the gap between rural areas and urban areas. Most of the populations in India are living in the rural areas so internet banking has connected the rural areas to all parts of the world. Now they can do transaction through their mobiles also no need of computers and laptops. So internet banking has brought the banks inside small phones. It has helped the people of rural areas in saving their money and protecting themselves from the ill practices of the landlords and zamindars <sup>[6]</sup>.

### 7. 24 x 7 Service

Internet banking system has helped the banks to provide services to their customers 24 x 7 without any holiday. As previously the customers cannot do any transactions once the banks are closed at 5 pm and they have to wait for next day for the money and also they cannot do transaction on holidays and on Saturday and Sunday. So internet banking has solved this problem of the people now they can do transaction any time whether its day or night, Saturday or Sunday or on holidays also.

### 8. Enhanced banking efficiency

The internet banking has increased the efficiency of the banking system. It has helped the banks in doing their work in systematical way. It has helped the banks in doing their works in proper time without any type of the delay in the work. It has helped in proper maintenance of the data. It is an easy way to check whether the banks are doing their works in time or not because previously they give reasons of misplace of document, not having proper staff and living in rural areas. So internet banking has solved all these problems and now they cannot give any reason and they have to complete their work in time <sup>[7]</sup>.

### Survey and interview

A survey was conducted by me on the banks which are present at my village. This survey was conducted on the three banks State Bank of India, Punjab National Bank and Himachal Pradesh State co-operative bank. In this I also took the interview of the managers of all the three banks.

The outcome of my survey was that more than half of the population of my village had started using the internet banking system. The manager provided me information that after the coming of the demonetization in the year 2016 the number of customers had shifted towards the internet banking had increased and this system had also helped them during the time of the Covid- 19 also. Internet banking has helped them in proper maintenance of their data of the banks also. The internet banking has controlled the crowd in the banks. Managers also told me many incidents which happened in their banks before coming of internet banking. They told to me that before internet banking there was daily fights between the staff of the banks and the customers because all the thing was done by writing at that time and not having staff in proper amount put people into trouble. Most of the time there was single person to handle all the work but after coming of the internet banking services all these problems had solved. When I asked them the question related to half of the populations which are not connected to internet banking services. So they told to me that the banks are situated in rural area there is very less education among the people. So illiteracy was one reason and they also stated that trust issue is also a factor that today also there is fear in mind of the people related to internet banking.

The data which came out of my survey stated that the people who are among the age group of 18 to 40 years about ninety percent of them are connected to internet services, people who are among 40 to 55 years about sixty percent of them are connected to internet banking and people who are above 55 years about ten percent of them are connected to internet banking system. The managers also told me certain problems which they are facing in spreading this concept of the internet banking and these problems are less education among the people they do not know how to operate the mobile phones and computers, fear in the mind of the people there is fear in the mind of the people to get trapped in the banking frauds and internet connectivity is biggest issue the connection of internet is not so strong in rural areas due to which servers of the banks are down most of the time. Bank managers told me that they are doing their best for connecting people to internet banking system they are giving advertisement and organizing shows to making people aware related to the problem.

### Problems internet banking system is facing

#### 1. Internet issues

Most of the population of the India is living in the rural areas and internet services have not yet reached to many such areas of the country. The areas where internet is present there is also the issue of strength of internet and most of the times servers are down due to internet problems. So until unless the internet service reaches each and every part of the country it is very difficult to take internet banking system to the people of the country.

#### 2. Trust issues

People in India are still not having trust on the banks of the country there is fear in their mind that using of internet banking system will put them into trap of banking frauds. They are keeping their money with them at their house and due to which currency is not coming in the circulation and people are also facing the problem of robbery and theft <sup>[8]</sup>.

### 3. Education

Education is one of the biggest reason for people to not to use the internet banking services because internet banking services take place on mobile phones, computers and laptops and people are not having any knowledge about that how to operate these digital gadgets and most of the times we have also seen that people are not having money with them so they cannot afford to buy these products. Having less education is putting people into trouble many times as they are sharing their OTP, ID and Passwords and clicking into unknown links which is debiting money from their banks.

### 4. Security concerns

As the technology is developing with time so with developing technology the hackers are also bringing new ideas for removing money from the banks of people. Some of these frauds are phishing, vishing, card cloning, ATM fraud, OTP fraud etc. So these frauds are bringing security related problems in his mind. Person does earning by doing work day and night so they do not want their income to get into the hands of wrong person. So security threat is the biggest threat to the people.

### 5. Data breaches

The banks of India are having data of all the people who are having accounts in their banks. So most of the time we have seen that the bank staff gets indulged into wrong activities with hackers and they share the personal data and account related information with them which leads to the breach of the data of the people<sup>[9]</sup>.

### Conclusion

Internet banking system has brought new era in the banking system of the India. Over the years it has become an important part of the life of people of India. This transformation has brought many important changes in the banking system of our country. Internet banking has played major role in increasing the efficiency of the Indian banking system. It has increased the trust of the people toward the banking system. The time saving service of the internet net banking has increased the customers of the banks of the country. Now banks are easily reachable to each and every citizen of the country whether he is living in the rural area or living in the urban area. The twenty four hour service of banks through internet banking also played a major role because now people do not have to wait for next day or getting over of the holiday. They can now do transaction any time whether it is a day or night and whether it is Sunday or any holiday. Internet banking has also increased the paperless transactions and now there is no need of maintaining big files everything can be easily stored in computer. It is a cost efficient process the customers need not to give charges of going to banks and also no need to give charges to print documents and fill forms inside the banks. This system has also helped the banks in proper systematic work with less cost and less staff. So it is an important change that has taken place<sup>[10]</sup>.

But as there are two sides of coin same thing has happened here also with positive impacts there are also some negative impacts of the internet banking system also education is one of the biggest reason because people of the rural area are not so educated that they can operate the internet banking system. As internet banking system took place from

mobiles, computers and other appliances so there are many person who are poor and they are unable to afford all these things. As we see daily in news that new- new crimes are coming in the field of the internet banking so people are unable to trust this system. The internet is very important for internet banking but internet has not yet reached each and every part of the country so without internet net how can internet banking take place.

The Indian banks are taking certain steps like giving advertisements; organizing of shows to make people aware about it. The central bank of India and Parliament of India has also made many law and guidelines to deal with the problems of internet banking. According to me these guidelines and laws are not sufficient there should be more strict guidelines to deal with this problem than only internet banking system can work with full efficiency and people can trust on this system.

### Suggestions

After writing this paper I would like to give certain suggestions so that internet banking system should work properly in our country

#### 1. Education

Before spreading the concept of the internet banking in the country firstly people should be educated about this process because today also half of population of our country does not know how to use the internet banking system. Technology is need of everyone in today's world with giving technology the people should also be made well versed that how to use that technology it can only be done by providing education from the primary level.

#### 2. Strict laws

Banking frauds are increasing day by day and daily we see in the news that a bank fraud had happened with the person. The hackers are using new methods to do banking frauds. So to protect people of country from the banking frauds the parliament of the country should bring the strict laws which deals with this problem of the banking frauds. In India we are not yet having a strict law to deal with this problem of the internet frauds.

#### 3. Good internet connectivity

Internet is need for the internet banking today also our whole country is not connected to the internet services. So how can people use internet banking application if there are no internet connectivity. So it is the duty of government and internet service agencies to spread the internet connection in whole country and the signal strength should also be good it should not be like we have given internet service but signal is coming poor. If good internet service will be provided than on internet banking system can work properly.

#### 4. Data protection guidelines

Personal data of the people is stored with the banks in India. Reserve bank of India the central bank should make proper guidelines to protect breach of the data. It is also duty of the bank staff to maintain the data in proper way and with full safety as we have seen most of the time the data get breached from the side of the banking staff.

#### 5. Use friendly methods

The internet banking system should not be tough it should be easily understood by the people. The customer friendly

methods should be used for providing internet banking services. Customer satisfaction should be prime motto of every banking system.

### **Customer support**

Its only a saying that banks are providing 24 x 7 services but in reality it is not correct what we see most of the time the servers of banks are down, ATM are not having cash and if someone calls on customer care service either they do not receive the calls and many times they behave badly with the customers. So banks should look after this problem and if they are saying that they are providing 24 x 7 services so it should be given in reality.

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