



**A STUDY OF ONLINE BANKING IN INDIA**

Project Report

Submitted towards partial fulfillment for Award B.COM(H) degree

**SCHOOL OF FINANCE AND COMMERCE,**

**GALGOTIAS UNIVERSITY**

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As I came to know about many new things and done researches on this project. I would also like to thank my friends who helped me in this project by giving their valuable suggestions which has been helpful in various phases of the completion of project.

## **DECLARATION**

I hereby declare that this project titled “THE STUDY OF ONLINE BANKING IN INDIA” submitted by me to School of Finance And Commerce (Galgotia’s University). It is submitted towards partial fulfillment of requirements of B.Com(Hons), Galgotia’s University, is my original work and has not been submitted earlier . I also declare that no chapter of this project is copied either in whole or in part from any other document. Some references have been taken from internet books and other learning sources, which are duly mentioned in the bibliography section.

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## **SYNOPSIS:**

### **A STUDY ON ONLINE BANKING IN INDIA**

India is now the world's fastest developing country, and the country online sector has exploded after demonetization in 2016. Online banking has become an important part of today's digital society. In this study, we gathered information regarding the history of online banking in India, examined the current state of online banking in India using surveys, and attempted to forecast the future of the online banking sector in India.

We looked into seven main aspects of online banking in India for this study, which are as follows:

- Different transaction modes
- Number of users
- Online banking technological advancements
- The total quantity of electronic banking transactions
- Policies of the government
- Public awareness of online banking services
- Use of various online banking services

While banks see online banking as primarily a technological answer, it is still a new sector for Indian customers and is not yet self-sustaining. Indian customers are

careful about their financial holdings because they are still a savings-based culture. They are also newcomers to the world of internet-based services. Design lessons show that online banking should be viewed not merely as a convenience but also as a means of providing service, simplicity, and security. This will result in happy online banking consumers and, as a result, increased profitability for the bank.

## **INTRODUCTION:**

### **Why We Chose this Topic?**

We were all eager in learning more about India's and other countries' economies. We explored a variety of issues, including demonetization, but after realizing the importance of banks in the Indian economy, we decided on Online banking as our futurology project topic. We decided to conclude our topic after learning about many aspects affecting both physical and online banking. First, we compiled a list of several criteria relevant to our study and divided them into groups such as age, educational attainment, and so on. Following our research, we were able to identify the main aspects affecting online banking in India and select the themes on which we would like to focus our efforts.

### **BACKGROUND**

Online banking, often known as e-banking, refers to any transactions that take place between businesses, organizations, and individuals and their financial institutions. In 1985, some banks began offering internet banking to its customers, which was first conceived in the mid-1970s. However, progress was stifled due to a lack of internet users and the high cost of using online banking. People were more comfortable transacting over the internet after the internet boom in the late 1990s.

Customers of financial institutions can conduct financial transactions using a secure website run by the financial institution, which can be a retail or virtual bank, credit union, or building society.

Making bank transactions or paying bills over the internet is known as online banking. People no longer need to leave their homes to shop, communicate, or do banking transactions. Internet banking has altered the banking business as well as the services provided by banks to their consumers. 'Anywhere banking' became known as a way to provide differentiated and competitive services. Checking account status, transferring funds, ordering demand draughts, loan applications, credit card verifications, shopping portals, and other ancillary online services, as well as not requiring a visit to the branch during business hours, were viewed as high-value offerings and increasingly started to become a necessity rather than a service.

Banking institutions began to see online banking as an extension of the bank rather than an add-on service once they realized how low the processing cost per transaction was via the internet. New commercial possibilities, more funds from new and existing clients, geographic expansion, especially if targeting the youth, and the fear of people switching loyalty if they did not offer it were all reasons for launching online banking now.



We explored a variety of issues, including demonetization, but after realizing the importance of banks in the Indian economy, we decided on Online banking as our futurology project topic. We decided to conclude our topic after learning about many aspects affecting both physical and online banking. First, we compiled a list of several criteria relevant to our study and divided them into groups such as age, educational attainment, and so on. Following our research, we were able to identify the main aspects affecting online banking in India and select the themes on which we would like to focus our efforts.

However, staying informed of industry and technology is often the strategy to implementing online banking, and online banking is increasingly becoming a separate business unit driven by technical possibilities. As illustrated by the proliferation of non-human focused experiences, the user often has a minor role in such an approach. However, the cultural and organizational shift required by Indian banks to attract both old and new consumers to this new banking channel necessitates a user-centric focus.

Due to security considerations, online banking has been quite advantageous for banks as well as individual in recent times of COVID-19.

## **HISTORY**

When financial institutions in India began to introduce online banking, many clients were hesitant to conduct transactions via the internet because they were unfamiliar with the internet and online banking.

By providing online banking services in its branches in 1996, the Industrial Credit and Investment Corporation of India became India's first to embrace electronic banking. HDFC Bank, IndusInd Bank, and Citibank followed suit in 1999, when they began offering online banking services.

## **LITERATURE REVIEW:**

When new information technologies are combined with traditional banking services, e-banking is born. The main drivers of e-banking services growth are cost reduction and revenue maximization (Sannes, 2001; Reibstein, 2002). Because e-banking is essentially self-service for customers, it requires less resources and cheaper transaction and production costs for banks (Southard and Siau, 2004; Witman and Poust, 2008).

According to a research of e-banking from 1999 to 2006, the use of e-banking can increase banks' performance in terms of asset growth, operational expenditure reduction, and portfolio enhancement (Dandapani et al., 2008).

Even back in the 1990s, Sraeel (1996) emphasised that virtual banking would not only provide a new service delivery channel, but would also provide value to both banks and clients (Hwang et al., 2007; Murphy, 2007). Customers will be drawn to e-banking, according to AmatoMcCoy (2005), when advanced e-banking services such as e-transfer and e-bill alternatives are offered. Jenkins (2007) found that banks on a small island were utilizing e-banking as a guarantee to their clients to maintain a competitive quality of service by interviewing them and studying their e-banking websites from 2004 to 2006.

The profitability of a bank is directly related to its usage of technology. Investment in electronic banking, in general, boosts bank profit margins by lowering costs and increasing non-interest income, resulting in higher ROA and ROE (Sinkney, 1998). Cost-effectiveness in service delivery directly translates to higher consumer satisfaction and, as a result, a shift in the bank's revenue model.

Adoption of Internet banking would raise consumer awareness, attract global majors to the market, and contribute to the creation of open banking standards (Treasury Management, 2001). The integration of banking services with e-commerce and the advent of e-cash would have a favorable impact on banks' efficiency scores (Scott, 1999).

However, Internet banking is a mixed blessing in terms of increasing risk, consumer confidence, and the difficulty of integrating it with the physical system (Hawke, 2001). Risks such as settlement risk, foreign technology transfer risk, crime or fraud risk, regulatory evasion risk, tax avoidance risk, and competitiveness risk have all changed as a result of internet banking (Saunders, 1997).

This theory is further supported by the Basel II advice on operational risk. Some Indian banks, such as HDFC and ICICI, have created payment gateways that run on secure systems with firewalls to prevent hacking (Rao, 2001). The jargons in

the spectrum of internet banking include convenience, safety, and cost effectiveness (Rose, 1998).

## **OBJECTIVE:**

- ❖ To comprehend the origins of the notion of online banking
- ❖ To investigate the significance, operations, benefits, and drawbacks of online banking
- ❖ To use primary data to investigate the online banking trend
- ❖ To describe the various types of online banking and to examine the RBI's laws and regulations on online banking.

## **RESEARCH METHODOLOGY**

Research methodology of online banking: It is a methodical analysis of existing and new information. It is useful for creating or validating facts, solving problems, proving theorems, and developing new theories. The research is based on both primary and secondary sources of information.

The nature of this research is both explanatory and descriptive. The explanatory research was done in the starting of the research to make the motive and research very clear and defined. Moving on the descriptive research, it is done by the survey conducted by us and most importantly to ponder upon the behavior of the consumers.

Survey was conducted by online mode through google form. It was having question regarding the customers satisfaction and opinions about internet banking. questionnaire was having 11-12 question.

Date of survey: 06-05-2022

No. of people attempted survey: 60-70 people

With the use of a well-drafted and pre-tested structured questionnaire, the study collects both primary and secondary data from customers in India who are equally represented by public sector banks, private sector banks, and international banks.

To analyse the relevant issue, secondary material was obtained from various bank reports, websites, magazines, journals, and newspapers. The frequency distribution was used to analyse the data. Averages, graphs, and percentages were among the statistical techniques used to analyse secondary data.





## **DATA COLLECTION :**

Data was collected by designing a structure questionnaire. The respondents were asked to answer the question according to their views and opinions. The questionnaire was conducted by such question which tells the people views on online banking services and how many of the population is aware of the internet banking and how many is not.

The questionnaire was consisting of the following questions:

- Do you use online banking?
- Their age?
- Their qualification?
- From which living area do they belong? So that we can get to know that how much people are using from urban and how many people are using online banking services from rural area?
- Which mode of transaction do people prefer more?
- How many times do they use online banking in a week?
- Are they well informed about the online banking services?
- Which online banking service do people use the most?
- If they are not using online banking then, what is the reason behind it?

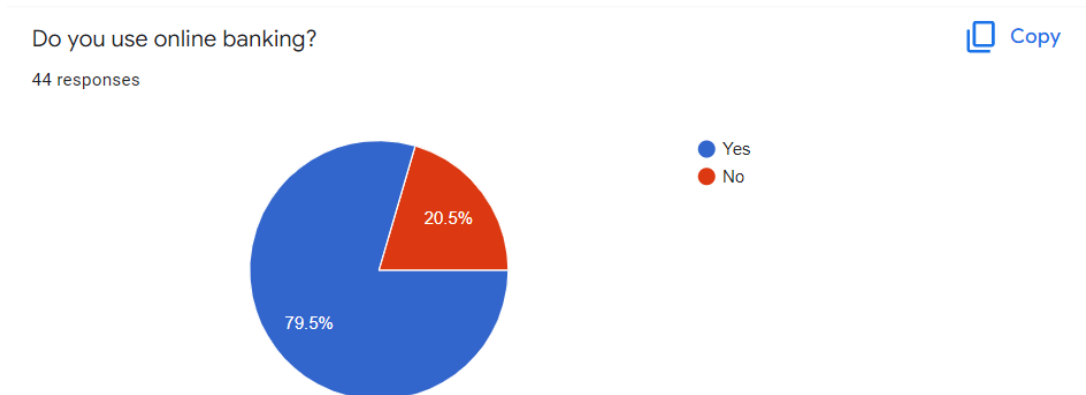
- Which online banking services should be improved for the future use?
- Overall experience and their rating for online banking services?

## DATA ANALYSIS AND INTERPRETATION:

As we have done the data analysis through a small survey which we have conducted and collected the response of many people and their views about online banking. So, according to our survey we have analyzed some responses and reached the following conclusion:

### 1. No. of people using online-banking:

% of using online banking users	% of people non online banking users
77.8%	22.2%



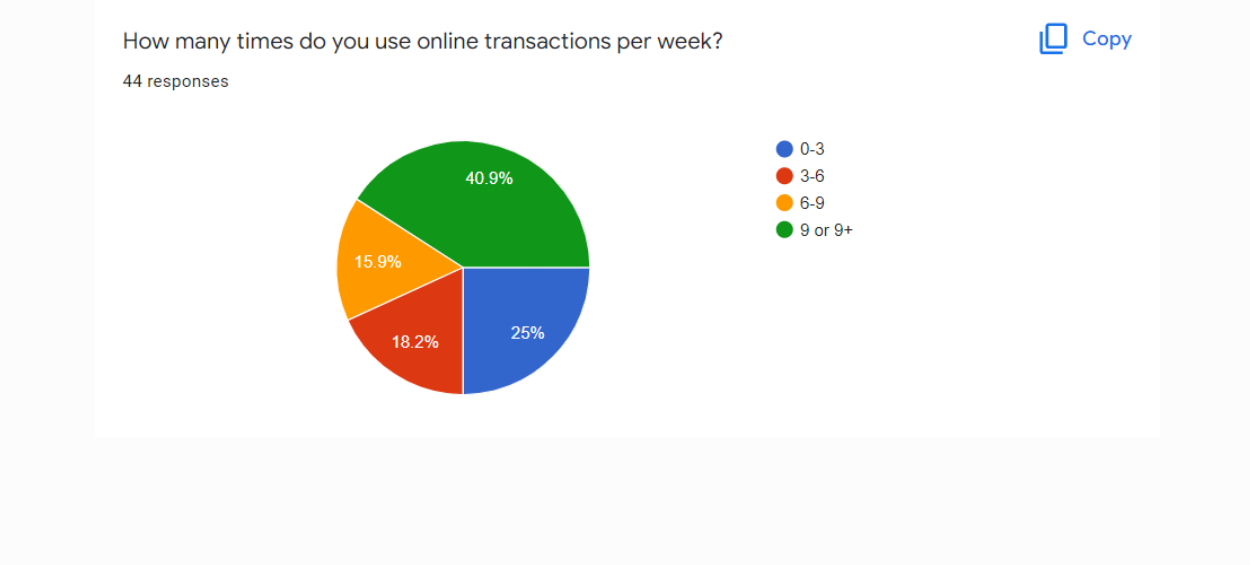
Here, we can see that according to the survey 79.5% of the total people who answered the survey use online banking. Today in India (according to RBI

statistics), around 40% of the total population is using online banking to daily transactions.

According to a recent almost 68% of Indian consumers are using online or mobile banking to conduct financial transactions. According to a survey conducted on online payments in India in 2020, 31% of the households stated that they had made mobile banking apps in their smartphones . However, 32% of the households stated that they used digital payments in their everyday life.

2. Frequency of transactions per week:

0-3	25%
3-6	18.2%
6-9	15.9%
9+	40.9%



Out of data the frequency is for 9 or 9+ transactions per week. Out of every 100 people nearly 50-60% people do transactions for almost more than 9+ times a week. According to our prediction in future almost 70-80% people will do transactions for more than 9+ times a week.

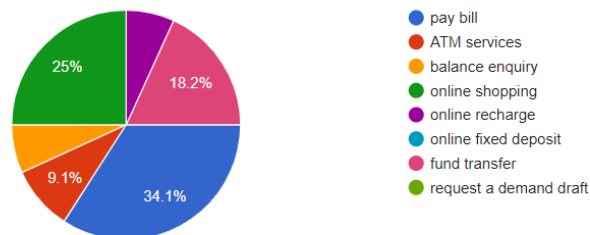
### 3. Preference for use of various services:

Pay bill	34.1%
ATM services	9.1%
Fund transfer	18.2%
Online shopping	25%
Others	13.6%

Which of the following is your first preference for online banking services

 Copy

44 responses



This chart clearly shows us that mostly people use online banking to pay bills or online payment. People prefer to pay online rather than going anywhere physically. Firstly people use online banking for paying their bills and second preference is for online shopping and third most used is for fund transfer.

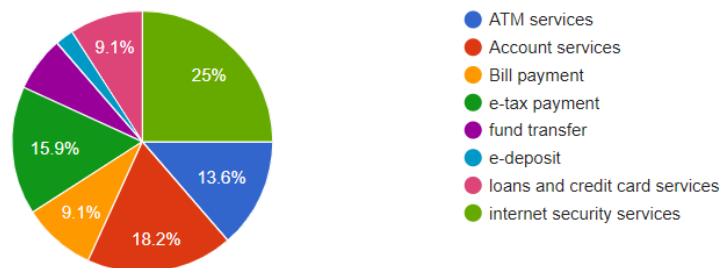
#### 4. Services to be improved:

ATM services	13.6%
Account services	18.2%
Loans and credit card services	9.1%
Internet security services	25%
Bill payment	9.1%
e-deposit	2%
E-tax payments	15.9%
Fund transfer	7%

In your opinion which online operations should be modified properly for better services in future?



44 responses



Here, we can clearly observe that the highest % of improvement in online services is for internet security services which are 25%. This clearly tells us that Indian Gov. is highly insecure and also has risk of getting hacked and misused easily.

Today it is surprising to see that our online bank accounts, card numbers, etc. can be hacked very easily. Thus there is an urgent need to improve this.

Further 18.2% people want to improve account services such as balance enquiry, bank statement, etc. after this people want to improve e-tax payment so that they can easily pay tax online without having any hassle or by going the gov. offices to pay tax. And after this people want to improve the ATM services because today mostly frauds are also done by ATM cards.

It has come to the notice of reserve bank of India that unscrupulous elements are defrauding and misleading members of public by using innovative modus operandi including social media techniques, mobile phone calls, etc. In this view , Reserve Bank Of India cautions members of public to be aware of fraudulent messages, unknown links, false notifications, etc. promising help in securing concessions/ expediting response from banks and financial service providers in any manner.

RBI urges the members of public to practice safe digital banking by taking all due precautions, while doing any online/mobile banking transactions.

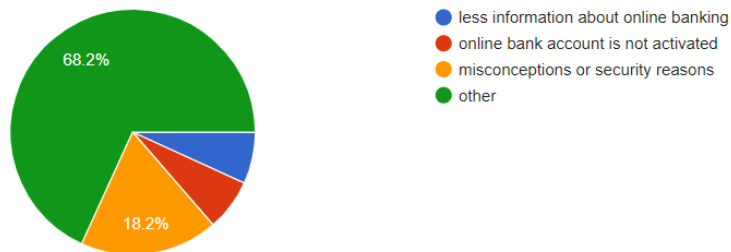
## 5. Reasons for not using online banking:

Not well informed	7.8%
Inactivated online bank account	6%
Misconceptions and security reasons	18.2%
Other	68%

If you are not using online banking, then reason behind it is:

 Copy

44 responses



Here are the reasons that why people don't use online banking. we can see that mostly people don't use online banking as of their own reason and after that because of security reasons and misconceptions. As this clearly tells us that there is an urgent need to improve the security and remove bugs and misconceptions. After that people don't use online banking because they are not properly aware and does not know complete information about online banking. Thus there is also need to organize information camps and awareness among the people.



## **FINDINGS**

The findings of this study inform banks about their customers' concerns regarding the internet banking services they receive. Online banking has become a significant part of the banking industry, and banks can use this research to tailor their strategies to fit the needs of their consumers. The following conclusions can be drawn from these findings:

1. Customers in both the public and private sectors were aware of the internet banking services available, but respondents from private banks were more aware.
2. More than half of both bank sectors' clients have been utilizing online banking services for more than 18 months. The majority of people have also gotten information about the service from customer service representatives.
3. After reviewing the study's findings, it was discovered that 73 percent of public sector respondents were aware of internet banking, whereas 70 percent of private bank respondents were.
4. Customers of both private and public sector banks are satisfied with internet banking services, according to the report. Despite their dissatisfaction, the difference in the mean score was not substantial.

## **CONCLUSION**

Banks have a vested interest in encouraging their customers to adopt online banking. Users' requirements and expectations of online banking are not being met by current designs of online banking systems. This is something that user-centered design strategies can help with. For the customer who is 'anybody,' the internet, phone, paper, statements, ATM, and branch visit must all appear as one seamless experience. In India, banking, like many other transactions, is still relationship-based and requires human assurance and intervention, despite technological advancements. As a result, this is especially significant. When banks leverage this technology to offload customer support expenses and improve sales by maximizing self-service, true benefits will be evident.

The goal of this research was to learn more about customer behavior and satisfaction with internet banking services. The study focuses on a number of critical aspects that could influence consumer satisfaction in India. Customers' behavior toward internet banking was clearly influenced by aspects such as perceived usefulness, perceived ease of use, respondents' understanding of and problems with internet banking, their trust, security, and privacy, and so on.

The findings revealed that characteristics such as utility and convenience of use have a significant role in internet banking usage. Factors like security and trust also

have a deterrent effect on them. It was also shown that private sector bank customers were happier with their internet banking experience than public sector customers.

Because of the issues with internet banking, such as card misplacement, card abuse, and trouble in utilizing the service, both bank respondents were indifferent, and the z test returned non-significant results. However, it was found that consumers of public sector banks were having fewer issues than those of private sector banks.

Both public and private sector online banking consumers are satisfied with the services, but not to a high degree. This research will help Indian financial services evolve and plan services accordingly.

A different type of finding was that the recession had no effect on e-banking, as evidenced by the fact that the number of users has not decreased in recent years; rather, users are continuously increasing as they see the benefits of the service in providing continuous solutions to problems in a safe and secure manner. In 2021, the average number of internet transactions was 70% each month, an increase from the previous year.

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