



Electronic Banking Practices of Private Sector Banks in India: A SWOT Analysis

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Abstract

Banking system of a country plays very vital role in the economic development; all kind of developments and prosperity of a nation depend upon the soundness of banking system. Indian banking has a long history although new chapter was opened just after the launching the first phase of reformation during the early 1990s. New private sector banks transformed Indian banking from manual banking to paperless technology based banking. Consequently modern banking practices have revolutionized Indian banking. Present paper highlights the strength, weaknesses, opportunities and threats of private banking system in a developing nation like India.

Keywords: Technology, Innovating, Banking, practices

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E-Banking: the term e-banking is very wide being used in variety of form mainly electronic banking refers to the banking activities with the help of internet. E-banking transformed Indian banking drastically, no one can imagine banking without technology. Most of the functions of banking are being performed through electronic devices which include transfer of funds, deposits, withdrawal etc.

1. REVIEW OF LITERATURE:

A large number of national and international studies are available on banking sector covering various issues such as performance, impact of technology, public and private sector comparison, non-performing assets, banking reforms etc. under few studies a SWOT analysis has been conducted. Some of the important studies related to the theme of this paper have been discussed below:

Neetu (2010) has evaluated in her wide report that performance of private sector banks is better than public sector banks and per transaction cost also low in private sector banks especially in new private sector banks in comparison to old private and public sector banks.

Prasad (2012) examined the overall performance of public and private sector banks using CAMEL model examined the performance of public and private sector banks

Dixit, Neha and S. K. Datta (2010) studied that adult customers are more reluctant to join new technologies or methods that might contain little risk. It is also important to note that some adult customers are interested in online banking; however, they do not possess the necessary computer literacy to conduct it. In addition, banks should design the website to concern security and privacy issues.

2. DEVELOPMENT OF PRIVATE SECTOR BANKS IN INDIA

The financial reforms launched during the early 1990s have radically changed the banking scenario in India. During the reform period many decisions have been taken such as new prudential norms, capital adequacy prescriptions, identification of bad debts, provision requirements, and interest rates were deregulated. As a sequel to these reforms, new private sector banks were allowed entry into the market. Many of these new private sector banks have brought with them state-of-art technology for banking business processing and service delivery, besides being efficient in catering to the customers' demands. Yet, the failure of Global Trust Bank made Indian depositors to question the sustainability of private banks.

Private Sector Banks existed for over a century in India. Formation of State Bank group in 1955 and 1957 and two nationalizations in 1969 and 1980 lead to dominance of public sector banks. Economic reforms in 1991 and banking sector reforms changed the scene totally. People generally rely on nationalized banks backed by Government. Change in mindset of the customers forced RBI to allow new private banks a decade back. WTO and globalization initiated more foreign banks to add competition.

Among the 20 private banks, we have 13 old and 7 new banks (as on 31st March 2013) which are able to sustain the competition. But, one question that arises is how much reliable these private banks are in spite of their efficiency due to recent experience of Global Trust Bank failure. Better professional management techniques adopted by the ICICI Bank made it as number one; in spite of rumors two years back (Best Bank - Business India, 16-29, August, 2004).

Private sector banks are more closely scrutinized for any weakness by RBI. Going forward, stressed out banks will be absorbed by more profitable banks, reducing the number of banks operating in India. More banking related products will be available from a single-source and greater accessibility to funds raised in the market can be achieved by such intervention. This made the scholar to think of using SWOT Analysis of private sector banks in India.

3. SWOT ANALYSIS OF PRIVATE SECTOR BANKS IN INDIA:

The new millennium has brought along challenges and opportunities in the various fields of economic activities including banking. The entry of various private sector and foreign banks exposed the inefficiencies in the public sector banks. This study compares various factors of private banks on their strength, weakness, opportunity and threats. The key to profitability for the private sector banks is increased efficiency and productivity. For the overall evaluation of private sector banks scholar has undertaken SWOT Analysis. The significant inferences drawn through SWOT analysis of private sector banks have been given below in four major four headings namely (A) Strengths (B)Weaknesses (C) Opportunity (D)Threats.

A. STRENGTHS:

- Various value added product provided by private banks.
- 8 to 8 banking hours.
- D-Mat Account.
- International debit and credit cards.
- Anywhere and anytime banking.
- Banking access through phone and internet.
- Satisfied customers.
- Status symbol and increasing goodwill in the mind of customers.
- Higher growth in comparison to and public sector banks.
- Wide network of banks.
- A wide range of variety of products and services.
- Cheap and skilled manpower.
- Favorable policy framework.
- Flexibility in the operations.
- Easy availability of technology and software.
- Large size of market.
- Small banks locked into these technologies which are extremely costly to maintain.

B. WEAKNESS:

- Greater dependency on technology; in case failure of technology banks as well as customers have to bear vast problems.
- Less faith of customers in comparison to public sector banks.
- Un-breakability of outlook traditional customers.
- More expensive technological infrastructure.
- Less access of rural areas in the country.
- Unable to provide essential statements at right time.

- Frequent problem in ATM network and machine.
- Poor handling of the customer and inefficient clerical staff members.
- Huge investment required to establish infrastructure.
- Higher charges of banking services and big balance condition.
- Small denomination of currency not accepted.
- Indian banking product companies will need to spend significantly on marketing and sales efforts in developed markets to create a strong brand for Indian products in the stiff competitive age.
- The credibility factor has to be built up with effort, which may also take a longer time to yield fruit.

C. OPPORTUNITY:

- Expansion of Branch network resulting in increased brand awareness, market, presentation and mobilization of low cost retail deposits.
- Cross sales opportunities across varied financial products and services to exciting and potential customer's base.
- Employment of highly skilled and specialized human resources to facilitate greater productivity and improved quality.
- Improved economic activity leading to higher demand of credit
- Large number of customers and big Indian market
- Growing rate of bank users mainly private banks and more access of banking functions
- Fast growing economy and customer income
- Easy availability of new and advance technology
- Investing in state-of -the -art technology for assuring quality. Increased process efficiency and complete customer satisfaction.
- Initiation new business and launching new products and services.
- Today, new developments in technology reach all parts of the world without any time lag. Disruptive technologies such as the Internet have ensured that one in India does not have to go through all the cycles of technology development.
- Increasing demand for the products manufactured by bank
- New designs and technology developed by the corporate unit
- Loosening of regulations regarding banking operation and management

D. THREATS

- Up gradation of public sector banks and implementation of advanced technology as new competition.
- Licensing to other new banks.
- Instability of economic parameters.
- Unfavorable fluctuations in the interest rates, CRR, SLR, bank rate etc.
- Unexpected volatility in foreign exchange rate.
- Highly competitive environment with the presence of a number of aggressive local and multinational banks & Financial Institutions.

- Attrition and instability of key management personnel.
- Technology Obsolescence leading to recurring and increased capital requirements.
- Major changes in the banking regulations that significantly impact performance.
- Natural Calamities and disasters like earthquake and floods etc.
- Civil war, war with another country, terrorists attack.
- Vendors who offer these solutions as custom-built software applications at lower cost pose a threat. But these are not tested for reliability.
- Distrust of local consumers.
- The cultural barriers in Indian markets are another threat to Indian banking product firms looking to expand.
- Shifts in consumer tastes away from the firm's products.
- Emergence of substitute products.
- Flexibility in rules and regulations for private sector banks.
- Increased trade barriers.

4. CONCLUSION

Indian market is a growing market it has very wide potential of technology based banking practices which will contribute to economic and social development of the nation, on the other hand infrastructure is an inherent problem of growth and development of e-banking and dominance on technology of e-banking by private sector also a major issue. Along with availability of high technology and advance practices private sector banks are unable to assess banking facilities in rural India.

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