

RISK MANAGEMENT IN E-BANKING SECTOR – AN ANALYTICAL STUDY

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Abstract

E-banking or internet banking refers to systems that enable bank customers to access accounts and information on bank products and services through a personal computer or other intelligent device. Information technology is the key driver of the information age. It is a highly cost-effective channel for delivery of banking services; it is not free from risks. Apart from cost reduction in cost of transactions, internet banking also brought about a new set of risks that too in new forms. Regulators and supervisors all over the world are aware of different types of risks in internet banking. An important and distinctive feature of internet banking is that here technology plays a significant role as a source of tool for control of risks. Because of faster and speedier information technology, there is no finality either in the type of risks or measures to control them.

Keywords: E-banking, Information technology, delivery of banking services

Introduction

Banking as a major part of the financial sector, is the lifeblood of the whole industry, necessary to survive. It plays a decisive role in accelerating the rate of economic growth in each economy. Technology is another emerging trend in the banking sector and new issues have started cropping up, which is going to pose certain problems in the future. Even though internet banking it is not free from risks. Apart from reduction of cost of transactions, internet banking also brought a new set of risks. Internet banking also brought a new set of risks. That too in new norms. Regulators and supervisors of all over the world are aware of different types of risks in internet banking. It increases level of deregulations along with the increasing levels of competition have facilitated globalization on Indian banking system and placed numerous demands on banks.

Banks have come to realize that survival in the new e-economy depends on e-delivering some or all of their banking services on the internet while continuing to support their traditional infrastructure. The risk of e-banking is redefining business relations and the most successful banks will be those that can truly strengthen their relationship with their customers. Without any doubt, the international scope of e-banking provides new growth prospective and internet business is a catalyst for new technologies and new business processes. However, banks are uncertain about regulatory framework for conducting the e-business and regulatory and taxation issues for governing cyber space presents formidable problems.

Impact of e-banking in India is not yet apparent. Many global research companies believe that e-banking adoption in India near future would slow compared to major Asian countries. Indian e-banking is nascent, all though it is fast becoming a strategic necessity for most commercial banks as competition increases from private banks and NBFC's.

Objectives of the study

- To highlight the various types of risks faced by e-banking users.
- To understand and measure the significance of technology on e-banking services

- To know the changes in risks and opportunities and to take remedial measures to improve the banking services.
- To suggest the suitable recommendation to the problems.

Methodology

The study has been conducted with help of primary secondary data. The secondary data collected was reinforced with the primary data collected with respondents. A structured questionnaire was used for the purpose. Data for study was collected from 100 respondents. A cover letter attached to each questionnaire explained the objectives of survey and assured respondents confidentially of their responses and voluntary nature of participation and survey.

Risk associated with e-banking sector.

Table 1. Showing the age of respondents

Gender	Male	Female
Age 21-30	23	10
Age 30-50	38	28
Age 50 and above	09	02
Total	60	40

Table table

Table 1. Shows the age and gender of the respondents. Among the respondents majority are the male and they are age between 30 to 50. by this it is clear that young people are very huge attracted by the e-banking compare to other respondents. In addition, the age between 21-30 little high attractions on e-banking activities like usage of ATM, Debit card, Credit card etc.

Table 2. Showing the annual income of the respondents

Income level	No. of Respondents
Less than 25,000	25
25,001-50,000	33
50,001-1,00,000	20
1,00,000 and above	22
Total	100

As per the table 2. Annual income between Rs.25001 to 50,000 is high in numbers. So it is clear that having middle income are very high and attracted by e-banking activities. And also the income level less than Rs.25,000 respondents are almost same and it indicates that people having this income quite less compare to traditional banking.

Table no.3. Reasons to visit the bank

Reasons	No. of Respondents
To make Deposit	15
To enquire about the balance	28
To withdrawal of cash	43
To deposit the cheque	14
Total	100

Table 3 reveals that return to visiting the branches different people visit the different purposes. Some purposes can fulfilled without visiting the branch. So decide how the purposes for which the customers visit the branch can be fulfilled through e-banking. It is clear from the above table 43 respondents were visiting the branch for withdrawal of cash .28 respondents visit the bank branch for balance enquiry or get a bank settlement and remaining 18 respondents were for to make deposits and another 14 for depositing the cheques.

Table 4. Showing the respondent's opinion of operational risk.

Risk Factors	No. of Respondents
Weakness in design	22
Lack of awareness in technology	16
Negligence by customers	14
Fraudulent activities of employees	48
Total	100

Table 4. shows the opinion about operational risk from respondents are think about there are factors and most of 48 respondents are fraudulent activities from employees are more while operating in e-banking. Where as 14 respondents were due to negligence by employees and other 16 were due to lack of technical knowledge and 22 were face-operating risk due to weakness in design.

Table 5. Showing the respondent's opinion of security risk

Risk Factors	No. of Respondents
Back doors	23
Brute force and hijacking	32
Sniffing and spoofing	21
Security threat	24
Total	100

The table 5. discloses that there are security risk while in e-banking activities referred that most of risk factors like., 32 respondents says that suffer from hijacking, 23 respondents were from back doors and 22 were sniffing and spoofing and 24 respondents were highly suffer from security threat shifting hardware technologies, etc.

Table 5. Showing the respondent's opinion of legal risk

Legal Risk Factors	No. of Respondents
System deficiencies	21
Significant security breach	09
Privacy protection	13
Unwanted litigation	42
Total	100

As per table 6. Majority of the respondents mentioned that there is number of problems and risks while operating e-banking. There is reputational risk of 21 respondents of e-banking not meeting the system deficiencies and in legal risk privacy protection is major problem in e-banking services i.e. 13 Respondents . where as 42 respondents are under the legal litigation of unwanted factors like, theft etc,

Findings

1. Adopting new technologies is high risk.
2. There are most of the fraudulent activities in e- banking services.
3. For attracting the customers of online banking is quick where as it not free from security threat.
4. They have given more preference to customer satisfaction but privacy protection may possible.

Conclusion

Internet banking carries it various risks for individual banks particulars and banking system in general. The rapid pace of technological innovation is likely to change the nature and scope of risks, which banks face. There must be balance between risks and benefits.

Supervisory regulatory authorities are required to develop methods of identification and new risks ,assessing ,managing and controlling the exposure to risks.

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