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E-FINANCE IN INDIA: THE FUTURE IS HERE

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ABSTRACT

Electronic finance means a provision of financial services and markets using electronic communication, electronic tools and technology with the help of internet and intranet. In other words, e-finance means use of ICT in financial service industry. E-finance is called one of the financial innovations, which offers numerous benefits to customers, financial institutions and government. The government of India and central bank, both are taking many initiative steps for developing e-finance services in India. The present study aim to investigate the status, model of e-finance, kinds of e-finance services and its importance for various parties in the Indian economy. Study also reveals the issues and challenges faced by e-finance in India. For this purpose study used secondary data compiled from various journals and articles. Overall result of the study shows that e-finance helps in achieving the economic growth of a country by providing many benefits to the FIs and government.

Keywords: Electronic Finance, financial services, E-Banking, Information Technology, India

1. INTRODUCTION

E-finance means a provision of financial services and markets using electronic communication, electronic tools and technology with the help of internet and intranet. In other words, e-finance means use of ICT in financial service industry. It saves time reduces the paper works and chances of fraudulent. Nowadays, with the emergence of e-commerce, E-finance has become a buzzword among the entrepreneur, business firms and investors. Due to the increasing awareness about the use of internet and computer technology in commercial purpose, E-finance has emerged as solution to simplify the complexions involved in dealing with finance. It is somewhat the shift of system of financial service from the real world to a virtual one. E-finance raises more as compared to e-commerce sectors.

The key drivers of the evolution of e-Finance include,

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Technology: Computer, Internet, and Telecommunications Technologies enabled business to be conducted in a fast, efficient and secure way.

Globalization: Worldwide liberalization of trade and investment facilitated the phenomenal growth of global business including the Internet based e-business and e-finance.

Regulations: Both deregulations of the finance industry and re-regulations of e-commerce facilitated the growth though in some areas lacking behind technology.

Entrepreneurship: Creativity allowed entrepreneurs, start-ups and seasoned companies to break ‘old economy’ traditions and deliver business solutions through new, exciting and often radically different structures.

Capital: Capital provided the financial means to put these technical and human wheels in motion.

Competition: The above factors created a globally fertile and competitive environment and pool of talents to compete for introducing new technologies, concepts, and models.

These five factors have affected providers, users, regulators and investors by creating remarkable transformation in financial industry.

DEFINITION OF E-FINANCE

UNCTAD defines e-finance as “that of financial services delivered through Internet or online. E-finance includes online brokerage, banking, insurance and other financial services. Internet technologies have now penetrated all aspects of financial services industry, both retail and wholesale, back-office and front office, information and transaction”.

Rest of the paper is organized as follows: Section II discusses the review of literature. Section III outlines the objectives of study. Section IV highlights the research methodology. Section V highlights the models of e-finance. Section VI explains the different kinds of e-finance services. Section VII highlights impacts of e-finance and section VIII describes the challenges faced by e-finance in growth and development. Section IX concludes the study.

2. REVIEW OF LITERATURE

Shahrokhi (2008) examined the status of e-finance and also discuss the challenges and related issues facing by financial services and IT industry. Overall findings of the study show that the all areas of e-finance, application of technology to e-finance, growth of the e-finance in the financial services industry.

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Riyadh et al. (2009) try to investigate the present status of e-finance in Bangladesh and its impact on the economy, also analyze its rationale together with policy strategies for the successful implementation of e-finance in Bangladesh. Study found that the position of e-finance is still in its initial stage, hence a lot to grow up near future in this area.

Srivastava (2014) examined the status of E-finance, Scope of E-Finance, role and importance of SMEs in development of the economy on a country, the state of E-finance in India and the importance of E-finance for the developing countries especially in context with India.

Kumari Nidhi (2016) examined and analyze the progress made by E-Banking in India. Study shows that the internet banking has got attention in the Indian context. The banks are facing many challenges and many opportunities are available with the banks. Many financial innovations like ATMs, credit cards, RTGS, debit cards, mobile banking etc. have completely changed the face of Indian banking.

Krishnan Dandapani (2017) investigates the status of e-finance in the last two decades & recognize the impact of the Digital Age on e-finance in five key areas: Payment systems, Cloud computing in financial services, Valuation metrics for multi-sided platforms & Quantum trading, Cyber security – costs, benefits, and protection.

3. OBJECTIVES OF THE STUDY

- To know the strategic models of e-finance.
- To study the importance of e-finance.
- To Study the different kinds of e-finance services adopted by India.
- To study the issues and challenges faced by e-finance in India.

4. RESEARCH METHODOLOGY

The study purely based on secondary data which is collected from various books, National & international Journals, published government reports, publications from various websites which focused on various aspects and impact of E-Finance.

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Table 1: MODELS OF E-FINANCE

Model	Products & Services
1.Business-to-Business (B2B)	• Online financial services like, corporate finance, investing, IPOs. • International finance issues like, foreign exchange, derivatives etc.
2. Business-to-Consumer (B2C)	• Includes such as online trading, online banking, e- bill payment, • E-Credit and e-loans • E-Insurance and guarantees
3. Consumer-to-Consumer (C2C)	• e-money transfers • online transactions payments
4.Technical infrastructure	• Internet • CRM • Software and hardware • IT services etc.
5. Global, institutional and regulatory environment	• Rules and regulations • Contract enforcement etc.

Source: Riyadh et al. & Author

Table 1 depicts the e-Finance sector models which are divided into five broad categories such as 1. Business-to-Business (B2B), 2. Business-to-Consumer (B2C), 3. Consumer-to-Consumer (C2C), 4. Technical infrastructure to support the e-Finance platform,5. Global, institutional and regulatory environment that facilitate the functioning and growth of e-commerce and e-finance. This model shows that how does e-finance work between the two important parties i.e., business and customers.

- **Business-to-Business (B2B):** Under these model transactions takes place between business- to- business. It includes transactions such as Online financial services like, corporate finance, investing, IPOs. And International finance issues like, foreign exchange, derivatives etc.
- **Business-to-Consumer (B2C):** It includes such as online trading, online banking, e- bill payment, E-Credit and e-loans and E-Insurance and guarantees and so on. Business to

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consumer refers to that model in which e-finance activity takes between business and consumers.

- **Consumer-to-Consumer (C2C):** Third important model of e-finance is consumer to consumer. Examples of C2C model are e-money transfers and online transactions payments etc.
- **Technical infrastructure:** Internet, CRM, Software and hardware as well includes IT services etc. Under this e-finance model, technology plays an important role in providing e-finance services and how they acts in developing e-finance sector in India.
- **Global, institutional and regulatory environment:** it includes Rules and regulations and Contract enforcement etc. for e-finance.

Table 2: INPORTANCE OF E-FINANCE

ADVANTAGES TO FINANCIALINSTITUTIONS	• Fewer transaction Costs. • Less Loan initiation costs. • Enhanced customer relationship management Ease at use of credit scoring • Easy availability of credit information • More target Customers in less manpower.
ADVANTAGES TO CUSTOMERS	• Availability of Cheaper Finance from financing institutions • Quick and early delivery of financial services • Less personal visit to financial institution is required • Ease at taking loan from global institutions. • More convenience process • For Securing Loan less collateral is required
ADVANTAGES TO GOVERNMENT	• Dynamic SME Sector • Help in employment generation • Healthy completion in financial market

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	Contribution in GDP of country • Helpful in poverty alleviation

Source: Author compiled from various literature

5. KINDS OF E-FINANCE SERVICES

- **E-Banking**: E-Banking one of the important kind of E-finance services offered by FIs. E-banking is also called internet banking or online banking. The service enables customers to perform different basic financial transactions such as enquiring bank accounts; make bill payments; transfer funds etc. Because e-banking is relatively easy to set up, the barriers to entry are low and there due to this there are more service provider in the market. As a result, e-banking is not limited to just big and well established banks. FIs have no choice but to offer such services as e-banking, like ATMs and branches, has become a basic service that customers expect.

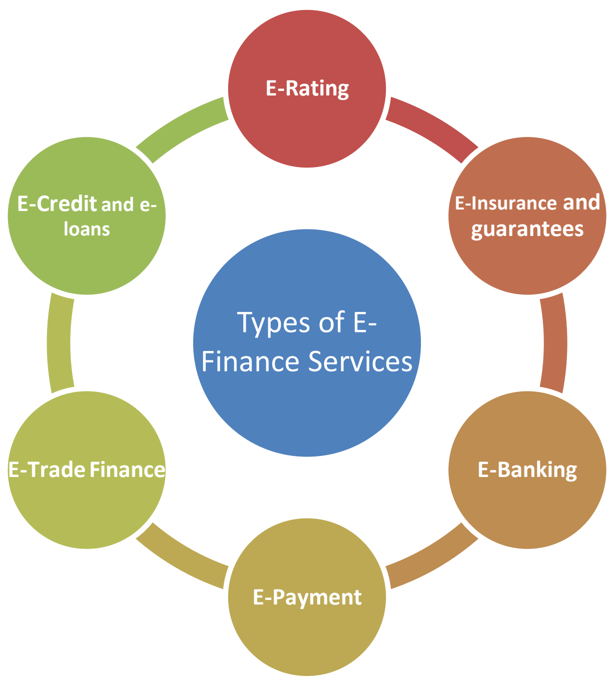

FIGURE 1. KINDS OF E-FINANCE SERVICES

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- **E-Payment:** Another kind of e-finance service is the payment system that forms an integral part of the banking and financial system. With the advancement of ICT, affordable e-payment can be a reality. E-Payment includes electronic payment in the physical world and the virtual (internet) world. e- Payments are delivered through varoius channels such as debit cards, credit cards, pre-paid cards, Internet banking and mobile banking.

- **E-Trade Finance:** traditionally, trade finance is based on paper work that makes it slow, more costly and error-prone. But the invention of Internet it is possible to streamline such processes through electronic documents. Services provided in e-trade finance are: LC (Letter of Credit) applications, Foreign Exchange and many more.

- **E-Credit and e-loans:** Now days for smooth running and success of SMEs these kind of e-finance services are more important. Under e-credit and e-loan facility, SMEs are required to apply for credit or loan facility online from the bank. When bank approved loan, than amount will be credited directly to the customer's account and it will save the time as well as it is more efficient way of getting loans from the banks for SMEs.

- **E-Rating:** E-rating plays important role for both: banks and SMEs as it provide the credit and payment track records of the parties involved in the transactions to FIs as well as help in managing their risk. While banks have their own risk management and credit assessment units, they also rely on specialized services, which provide credit information and assessment data, as well as ways and means, such as credit risk insurance, to reduce the credit and transaction risks.

- **E-Insurance and guarantees:** Another part of the e-trade finance module in many banks, e-insurance and guarantee services enable SMEs to apply for insurance and guarantee online. As for insurance, banks normally partnership with large insurance companies to jointly provide such a service. In this case, information captured from the bank system will feed the bank's financial partners. This involves the privacy of customer data, thus the bank has to make clear to customers that such information will be forwarded to a third party. Example: e-Insurance service by EDC Export

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Development Canada (EDC) has an online service called EXPORT Protect.

6. ISSUES AND CHALLENGES FACED BY E-FINANCE

- **Security issues:** e-finance services faced many challenges and security issue is one of the important challenges. Under it Software virues, Hacking, Service disruption and Phishing-latest internet fraud are covered.

- **Revenue and cost issues:** The another issue that creates problems in developing e-finance services is revenue and cost issue. It includes Revenue structure complex, Pricing complexities and High cost of internet services etc.

- **Legal issues :** Legal issues are more complex and create problems in growth and development of e-finance services of any country. So it's important to tackle these kinds of issues in effective and efficient manner. This issues includes such as Lack of proper rules and regulations, Lack of law enforcement and Lack of e-certificate and signature etc.

- **Infrastructural issues:** Lack of integration between institutions, Lack of reliable & affordable ICT infrastructure and Limited coverage services and so on. Under infrastructural challenges there is ICT related issues exists while performing e-finance services. Infrastructure facilities act as a mediator between e-finance service provider and customers.

- **Technology issues:** It includes such as Problem in adopting global technology in local, Size, Financial issues, Lack of proper knowledge and Lack of resources etc.

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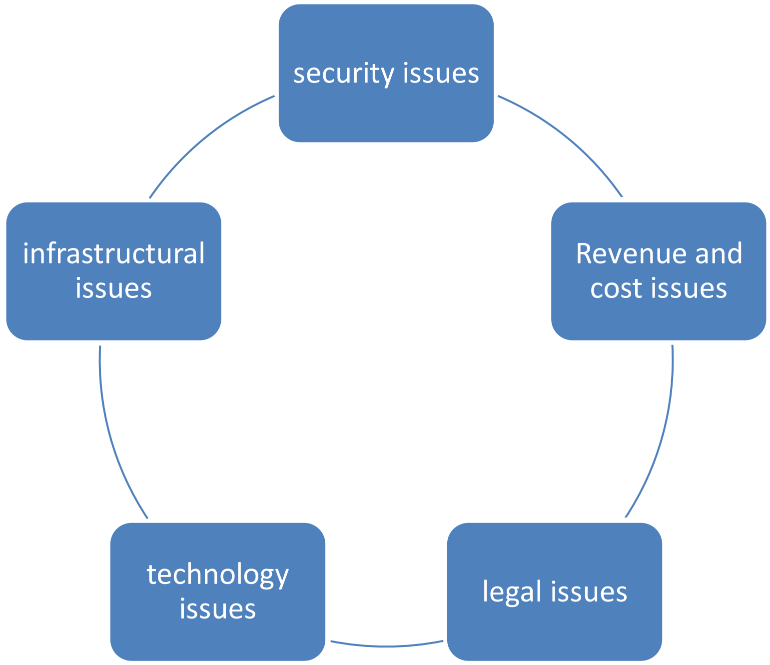

Figure 2: Main challenges for E-Finance

Figure 2 depicts the risks and challenges faced by e-finance services in growth and development. There are numerous challenges' such as Security issues, Population issues, Revenue and cost issues, Legal issues, Infrastructural issues and Technology issues. It's most important to consider all these issues related to e-finance for successfully implementation of e-finance services which help in achieving the economic growth of a country.

CONCLUSION

E-finance means a provision of financial services and markets using electronic communication, electronic tools and technology with the help of internet and intranet. In other words, e-finance means use of ICT in financial service industry. It saves time reduces the paper works and chances of fraudulent. From the above study we concludes that the e-finance raises more as compared to e-commerce in India and plays a significant role in the economic growth of a country by providing better e-finance services. Although there are lots of challenges and risk faced by e-finance but still it helps a lot in achieving the objectives of growth. It also improve the position of financial inclusion in India.

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