

# ROLE OF E-BANKING PRACTICES IN INDIAN BANKING SECTOR: A CASE STUDY ON KAVERI GRAMEENA BANK

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## Abstract

In the last four decades, Indian banking sector has seen a profound transformation owing to the changes in the global financial environment. The major change witnessed in the banking sector has been great advances in financial innovations and technologies, which are a result of disorder in the global financial environment. The improvement in financial innovations and technologies has made E-banking an intense part of the banking sector. E-banking has revolutionized the lives of all individuals of present times and is considered to be a wave of information revolution after the agricultural and industrial revolution. Earlier banking customers were required to personally visit a bank branch in order to transact through their saving accounts but with the arrival of Internet banking the manner in which financial transactions are carried out have changed. Although E-banking has been popular among computer literates for many years, its popularity is growing exponentially as Internet usage grows and people discover the numerous benefits that are provided by online banking. In today's increasingly integrated financial systems facing higher volatilities, more competition and higher time constraints, E-banking has become an integral part of the global financial environment in order to meet different requirements of customers of banking sector, thereby meeting the increased expectations of the participants in Indian banking system. This study makes an attempt to analyze the impact of E-banking and information technology on the employees of banking sector.

Key Words: Indian Banking Sector, E-Banking, T-test

## 1. INTRODUCTION

Liberalization and de-regulation process, which started in 1991-92, has made a drastic change in the Indian banking system. From a totally regulated environment, we have gradually moved into a market driven competitive system. In today's era, one cannot think about the success of any service industry including banking industry without information technology. It has increased the contribution of banking

industry in the economy. Financial transactions and payments can now be processed quickly and easily in fraction of seconds. Every second development in Information Technology (IT) and its acceptability by the commercial banks in India has enabled them to use IT extensively to offer their products and services to customers apart from just back office processes. Banks with latest information technology techniques are more successful in the cut throat competitive market in these days. Further, they can generate more and more business opportunities resulting in greater profitability. Information technology revolution in banking sector has not only provided improved service to the customers, but also reduced the operational cost (Talwar, 1999)

Latest Developments in Information Technology have also brought along a whole set of challenges to deal with. Speedy changes in technology, complexities, high costs, security and data privacy issues, new rules and regulations and lack of trained manpower are some challenges faced by commercial banks in India. E-banking can simply be defined as using Automated Teller Machines (ATM's), telephones, internet and mobiles for doing day to day simple and advance transaction without being physically present in the bank, to use the services like making queries for account balance, making different type of payments like bills, mobile recharge, money transfer, filing income tax return electronically. In simple words, e-banking is concerned with doing all these transactions from home or office without visiting the branch; 24 hours, 7 days in a week by using ATM's, telephones, internet and mobiles etc. For doing banking services. E-banking technology is gaining all-round adoption in banking industry across developed and developing countries. The use of e-banking technologies that includes automated teller machines (ATM's), telephone-banking, internet banking and mobile banking i.e. branchless banking in the delivery of banking products and services to their customers has become an essential aspect of modern banking system. Since banking services are informational (Bradley and Stewart, 2002) and can easily be automated and digitized (Porter and Miller, 1985), every bank these days is considering the adoption of information technology equipment's as a means to improve the performance, service quality and efficiency in delivering the services. E-banking refers to the system that enables the banks to offer their customers access to their accounts, transact business and obtain information via electronic communication channels; these channels can be Automated Teller Machines (ATM's), Tele-banking, home-banking and internet banking (Turban, 1999). Banks have now been able to provide single window system for quick delivery of services to their customers, where one can deposit Cheque, receive payment, deposit cash etc all at one place.

## **Evolution of E-Banking**

E-banking came into being in UK and USA in 1920s. It became prominently popular during 1960s through electronic funds transfer and credit cards. The concept of web-based banking came into existence in Europe and USA in the beginning of 1980s. It has been estimated that around 40 percent of banking transaction would be done through Net.

Banks play an important and active role in the economic development of a country. Developing countries need new technologies to become developed country. India is a developing country India need new innovations of technologies in every area. Bank is one among them.

India has the 1.35 billion of population in that population where internet users are 460 million according to 2017 survey. Also India ranked as a second largest online market. Every business and Organization adopting online transactions and cashless transactions. in that situation we can assume that information technology become more important to every areas.

Banks providing various facilities to luring customers like ATMs, online money transactions, mobile banking facilities etc... Still customers not motivated to use modern technologies because of various trust issue and security issues.

Regional rural banks also mobilized and adopting the new innovations and providing modern facilities to their customers but rural people still believe in traditional banking system. So government must provide the various programs to know the new technologies and motivate to use e-banking systems in rural areas. Like introducing plastic cards, kisan cards, credit cards and providing ATMs in rural areas.

In 2015 only 26% of the Indian population access the internet we also see that consistently increases in internet users this things effect on rural area also in rural area only little grown can we seened 18% in 2016 to 20.26 % in 2017 so rural area need to know the internet facilities advantages and opportunities they don't have aware of this things.

Banks are constantly searching for ways to improve profitability e-banking is the one of the opportunity to face the competition and increase the profit. E-banking is a fast spreading service. The major services offered are internet banking, SMS banking, ATMs, mobile banking, and debit/credit cards.

International trade has increased significantly in post-world war period and with it monetary transactions between different countries have increased. E-Banking has facilitated trading between distant corners of the world without worrying about monetary transactions. E-commerce has grown exponentially over last 30 years. Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT) were introduced in the late 1970s, to send commercial documents like purchase orders or invoices electronically. In 1980's E-Banking got a new dimension by the use of credit cards, Automated Teller Machines (ATM) and telephone banking. This was the revolutionary period in E-Banking. Now whole Commerce seems to be shouldering on these electronic systems. Frederic S. Mishkin (1998)<sup>6</sup>, the Economics of Money Banking and Financial Markets.

## E-Banking Services in India

E-banking is a term that includes the entire information technology revolution that has taken place in the banking industry. E-banking simply refers to the use of electronic channels like phone, mobile, internet etc for delivery of their services to their valuable customers. It increases the efficiency in the area of effective payment by enhancing the delivery of banking services in quick time. E-banking has helped banks to retain the current customers, increase customer's satisfaction, acquire further share in the markets and reduce the costs of delivering service to the customers. Delivery of services has gained increasing popularity through electronic platform. It provides alternative way for delivery of services in a faster way to the customers. Various numbers of services are being offered by banks through electronic banking. It is quite difficult to measure the extent of such services, but an effort has been made by classifying these services into following categories.

### Benefits of E-banking:

E-banking helps the customers as well as banks by overcoming the drawbacks of manual system as computers are capable of storing, analyzing, consolidating, searching and presenting the data as per the requirement of customers and banks with a lot of speed and accuracy.

#### Advantages to the Banking institutions

1. E-banking helps in reducing the cost of delivering the services to the customers.
2. It provides banks with competitive advantage among their peers.
3. It reduces the use of paper money that helps the central bank in printing less paper notes.
4. Through websites, banks can earn revenue by promotional activities.
5. FAQ's uploaded over the banks' website will reduce the workload on employees.
6. Customers can avail e-banking facility from anytime, anyplace, therefore there is a need to invest more and more on relevant infrastructure.

## Profile of Regional Rural Bank in Karnataka

### PROFILE ABOUT KAVERI GRAMEENA BANK

Kaveri Grameena Bank is a Regional Rural Bank established under the Regional Rural Banks Act 1976, is a Scheduled Bank jointly owned by the Government of India, State Bank of India and Government of Karnataka (share capital contributed in the ratio of 50:35:15 respectively), permitted to carry all kinds of

banking business. The Bank operates in 10 districts of South Karnataka, having its Head Office at Mysuru City with Eight Regional Offices at Mysuru, Mandya, Bengaluru, Tumakuru, Hassan, Chamarajanagar, Madikeri and Chikkmagaluru.

The Bank came into existence on 1st November, 2012 (sponsored by State Bank of India) by amalgamation of Cauvery Kalpatharu Grameena Bank, Chikmagalur Kodagu Grameena Bank and Vishvesvaraya Grameena Bank, sponsored by State Bank of Mysore, Corporation Bank and Vijaya Bank respectively.—Care and Concern for Customer Is Our Motto is their tag line.

**Table No: 01**

**Branch Network of Kaveri Gramaena Bank**

Sl.No.	District	Rural	Semi-Urban	Urban	Metro	Total
1	Mysuru	72	7	14	—	93
2	Camarajanagara	21	4	—	—	25
3	Hassan	48	9	2	—	59
4	Tumakuru	53	9	6	—	68
5	Ramanagara	11	4	—	—	15
6	Bengaluru Rural	16	4	—	—	20
7	Bengaluru Urban	14	1	6	15	36
8	Chikkmagaluru	44	5	3	—	52
9	Kodagu	22	3	—	—	25
10	Mandya	49	6	2	—	57
	TOTAL	350	52	33	15	450

## 2. REVIEW OF LITERATURE

The researcher has carried out a review of exhaustive literature relating to E-Banking. An attempt has been made to summarize the important studies and works keeping in mind the relevance of the present study. Literature survey used was strong based to the research on Role of E-Banking Practices in Indian Banking Sector: A Case Study on Kaveri Grameena Bank.

**Divya single and V. Padmanabhan (2008)** as indicate that users were influenced by ‘utility request’ ‘security’ ‘utility transaction’ ticket booking and found fund transfer. consumers have different levels of

competency in internet banking usage this today shows the internet banking is increase increasingly becoming a “need to have” than” nice to have” service.

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**Chitra., (2010)**, in her article entitled, "IT emergence: recent trends in banking industry of India" states that penetration of Information technology in rural areas and outsourcing of Information technology operation are major concerns of Information technology uses in banking operation. Further, there is motivation to customers for increased use of information technology while transacting with banks. There is more need for strategic thinking by smaller banks while investing in information technology.

**Anil Kumar Soni and Abhay Kapre (2011)** conducted a study on current status of regional rural banks in India. This study analyzed the current status with financial performance of RRBs in India and it shows the performance of RRBs is significantly improved.

**Shriram devulpalli and Sai Karthik Oruganti (2011)** this Teddy highlights the challenges and opportunities of e- banking in India and found that e-banking practices that are prevailing in the world and this study used structured questionnaire and sampling method tools.

**Megha Jain, Namrata Jain and Rashmi Tiwari (2011)** analyzed a study on internet banking in india problems and prospects. This study mainly focused on internet banking features opportunities and challenges and highlighting the why internet banking is a very reliable way to manage finance. This study highly recommended new technology and internet banking.

**Shilpanyas (2012)** analyzed a study on impact of e banking on traditional banking services. this study highlights the functions, types, advantages and limitations of e-banking. it found that impact of e- banking on traditional services.

### 3. RESEARCH GAP

The literature survey revealed practices of internet banks in commercial areas urban areas in Indian banks. Banks providing various new technologies to urban area. The present study is going on E-banking practices in Regional Rural Banks in India. The knowledge about internet bank usage. This study is also discussed about what are the major factors influenced the customers while using e-banking system bases on customer opinion.

#### 4. OBJECTIVE OF THE STUDY

1. To Study the current status of e-banking Practices in Kaveri Grameena Bank.
2. To identify factors affecting on internet banking in Kaveri Grameena Bank.
3. To examine the impact of e- banking in Kaveri Grameena Bank.

#### 5. HYPOTHESIS

To achieve the objectives of the study, the following hypothesis are formulated.

1. **H0:** There is a no significant difference in internet banking users in Kaveri Grameena Bank.
2. **H1:** There is a significant difference in internet banking users in Kaveri Grameena Bank.

#### 6. NEED FOR THE STUDY

The research study is significant to evaluate the current status of e-banking in India. This study helps to finding the customer satisfaction towards e-banking and performance of Kaveri Grameena Bank Mysore. Help to attract the customers to use internet banking. The banks were finding it difficult to compete with the international banks in terms of the customers services without the use of the information technology and computers.

#### 7. SCOPE OF THE STUDY

The study is based on performance of e-banking in India and case study on Kaveri Grameena Bank. It covers the working format of KAVERI GRAMEENA BANK. This study covers a specific period of 2017 to 2018. The study is based on performance of Kaveri Grameena Bank in Mysore there for study covers selected populations in Mysore to full fill the objective of the study. Banking industry worldwide is offering various options, financial products and services to enhance customer satisfaction. Innovative ways for information technology are used to provide services. Undoubtedly e-banking is the technological wonders and is gaining popularity. E-banking is regarded as pulse of the nation. It is important for banks to encourage customers to use e-banking. Banks-trusted business service providers, have the opportunity to leverage their existing relationships to provide full range of high quality trusted internet business services to their customers.

#### 8. RESEARCH METHODOLOGY

##### Primary data

Primary data collected with the help of pre-tested structured questionnaires from a sample of 50 respondent of Kaveri Grameena Bank. The branch and respondent are selected with the help of Convenience Sampling Method

## Secondary data

Secondary data was collected from different published sources, Articles, journals etc. .

## Tools and techniques

Statistical and mathematical tools such as simple growth rate, One sided ANOVA table one sample T-Test, Chi square, percentage, mean and Growth rate.

## 9. ANALYSIS AND INTERPRETATION

### Frequency and Percent Responses for Statement

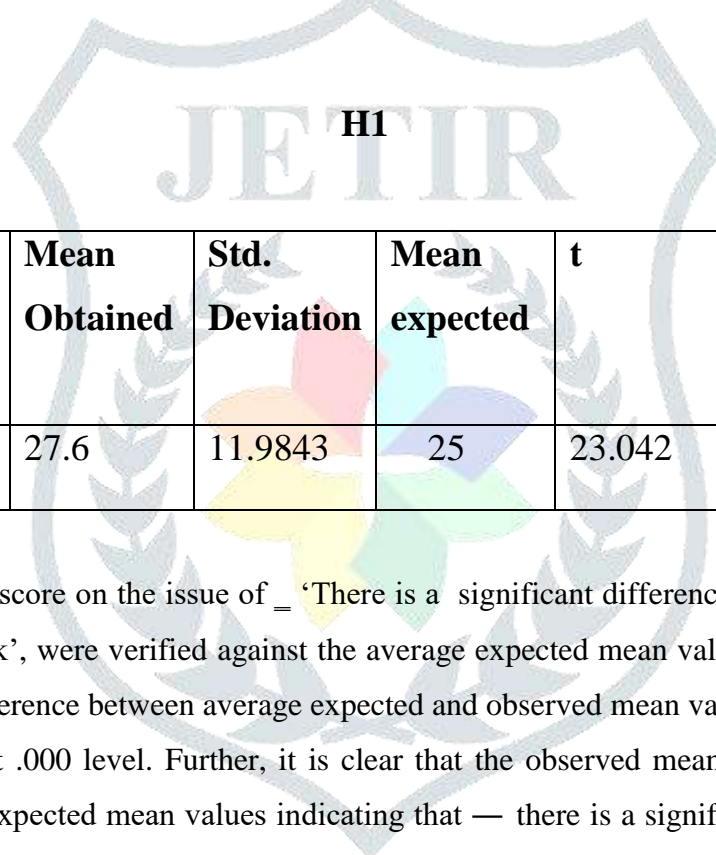
#### H1

Sl no	Statement		SA	A	N	D	SD
1	E – Baking service is very use full in banking sector	F	28	19	3	-	-
		%	56	38	6	-	-
2	Speed and time saving is the major key factor to select E-banking services.	F	22	27	1	-	-
		%	44	54	2	-	-
3	Most of the farmers still don't know the concept of e-banking.	F	11	10	12	16	1
		%	22	20	24	32	2
4	Online banking provides more reach and frequency than traditional banking.	F	17	25	7	1	-
		%	34	50	14	2	-
5	E-banking services still need modifications.	F	13	25	3	7	2
		%	26	50	6	14	4
6	Trust and Security issues are the major drawback for E-banking usage.	F	11	14	7	18	-
		%	22	28	14	36	-
7	Do you think INTERNET banking will replace traditional banking method?	F	16	24	9	1	-
		%	32	48	18	2	-
8	Online banking is well fitted in your long term strategy.	F	14	25	9	2	-
		%	28	50	18	4	-
9	Internet banking customers carry out more transactions than traditional customers.	F	21	18	8	3	-
		%	42	36	16	6	-
10	Does online banking provide more revenue than traditional banking	F	16	25	8	1	-
		%	32	50	16	2	-
11	Do you think Kaveri Grameena Bank can improve their relationship with through the	F	22	23	5	-	-
		%	44	46	10	-	-



	use of the e banking?						
12	KG Banks providing different services to attract the customers to use e-banking services.	F	21	19	9	1	-
		%	42	38	19	2	-
13	Customers are still believe in traditional banking system.	F	15	22	5	5	3
		%	30	44	10	10	6
14	Internet banking service is Easy to use and time consuming.	F	15	31	2	1	1
		%	30	62	4	2	2

Note: F-Frequency; %-Percent; SA-Strongly agree, A-Agree, CS-Can't say, D-Disagree, SD-Strongly disagree.



	N	Mean Obtained	Std. Deviation	Mean expected	t	P
H1	50	27.6	11.9843	25	23.042	.000

The average total score on the issue of \_ ‘There is a significant difference in internet banking users in Kaveri Grameena Bank’, were verified against the average expected mean value of 25, one sample t test revealed a significant difference between average expected and observed mean values. t value of 23.042 was found to be significant at .000 level. Further, it is clear that the observed mean values were significantly higher than the average expected mean values indicating that — there is a significant difference in internet banking users in Kaveri Grameena Bank **“Therefore the results indicate that null hypothesis is rejected and accept the alternative hypothesis”**.

## 10. SOME OF THE MAJOR FINDINGS

1. In this study 94 percent of the respondent believes that E-Banking service is very use full in banking sector.
2. 98 percent of respondent agree with the speed and time saving is the major key factor to select E-banking system.
3. Half of the respondent agree with the still formers don't know the concept of E-Banking and 32 percent are disagree both the chances may be happened

4. More than 84 percent of the respondent agree with the E-banking provides more reach and frequency than the traditional banking system.
5. 76 percent of the respondents agree with the E-Banking service still need modification.
6. The older customers have a negative attitude towards E-banking.
7. In this study find out the 82 percent of respondent agree with the E-Banking service earning more revenue than then the traditional services.
8. More than 90 percent of the respondents believe that Kaveri Grameena Bank can improve their relationship with the customers with the help of E-Banking system.

## 11. SOME OF THE MAJOR SUGGESTIONS

1. In this study 6 percent of the respondent neutral with the internet banking service very useful in banking system so bank not providing their information to customers so bank must be improve their relationship with the customers.
2. In this study E-Banking system get the trust of customers and time saving is the major key factor to select E-banking system so banks must maintain their speed.
3. In this study formers don't know the concept of E-banking system so banks must be concentrating on this issue and motivate the farmers to use e-banking services.
4. Most of the people still believe in traditional banking systems in RRBs so government can take the initiative to decrease the traditional systems.
5. Still E-banking system facing the trust and security issues so banks must be work on this factor than they get the customers trust.
6. Security system is a key element from a customer's perspective. Banks must ensure that the security system is enhanced continuously to guarantee integrity of online transactions, as this will build customer confidence.

## 12. SCOPE FOR FURTHER RESEARCH

The following areas need further research in this field for the effective implementation of various e-banking/internet banking services in future for the benefit of all the people.

1. A study on status of e-Banking in the development of co-operative Banks in Karnataka.
2. A study on evaluation of e-Banking / Internet Banking websites in Karnataka.
3. A study on Banker's attitude towards e-Banking service in Mysuru District.
4. A comparative study on Indian and foreign customers perspective towards e-Banking services.

### 13.CONCLUSION

This study is mainly on internet banking system in India. The rural people still not using modern technologies. Now India is a 2<sup>nd</sup> largest online market but rural area still in the traditional system of banking. But in this study shows the increasing of internet banking users and also customers believe in E-banking systems. Indian banks have also risen to the occasion by offering new channels of delivery to their customers. To know the what factors affected by customers and how to increase the internet banking users this all included in this study and also performance of Kaveri Grameena bank. Identify the traditional bank status and modern bank status. Banks also need some speed to increase the adoptions of new technologies.

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