

Beyond the branch: A Study of Innovative Practices in Banking Services in India

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Abstract: Banking, worldwide has been changing at a spectacular pace. While deregulation has opened up new avenues for banks, it has also entailed greater competition and consequently greater risks. Indian banking sector has undergone tremendous changes in the past decade. Banking is no longer confined to operate in a protected environment. Liberalization and globalization have exposed banking industry to various challenges. Change revolution started with the introduction of computers at bank branches.

Customers' awareness level has made them demanding. Their needs and requirements are changing everyday. Survival of fittest is the mantra everywhere and banks have no choice but to innovate themselves. Innovation in their products and services will give them an edge above their competitors and serve a dual purpose of improved efficiency and customer satisfaction. This has led to the development of many new products and services by various banks in India. The present study is an attempt to study the evolution of banking industry and innovative banking practices introduced by banks in India. Also the study is an attempt to compare the e-banking services offered by public as well as private sector banks. The study concluded that a majority of the customers are happier with the services of private sector banks. The study proposed a regression model of customer satisfaction and offered suggestions to the banks to improve their e-banking services.

Keywords: Banking, e-banking, NEFT, RTGS, ATMs, branch banking, SERVPERF, Artificial Intelligence

INTRODUCTION

Until the early 1990s, the role of financial system in India was confined to channelizing resources from the surplus to the deficit sectors. The banking sector suffered from various problems like lack of competition, weak capital base, low productivity, weak prudential standards, poor asset quality, low service quality and high intermediation cost.

In early 1990s, with the introduction of financial sector reforms, the focus shifted towards creating a deregulated environment and strengthening the prudential norms with a view to enhance efficiency, productivity and profitability. With liberalization and globalization, the financial system now has a much larger role to play as compared to the past. Given the importance of Indian financial system, one cannot afford to ignore the significance of having a robust and efficient banking system. After the financial crisis that began in the year 2008, banks have been trying hard to improve their performance measurement capabilities to meet the changing market conditions, increased competition, efficient management and customer requirements.

Banking industry, being the pillar of financial health of the economy, plays a central role in catering to the needs of credit for all the sections of the society. A sound and effective banking system is an evidence of a healthy economy. Banking, worldwide has been changing at a spectacular pace. While deregulation has opened up new avenues for banks, it has also entailed greater competition and consequently greater risks.

The significance of banking industry made it imperative to evaluate and understand the innovative practices of Indian banking sector. Due to the advent of globalization and liberalization, the retail banking industry faces an imperative need to invest in new operating efficiencies while reducing costs. Increasing competition, entry of various private sector and multinational banks into the economy and financial reforms has made it necessary for banks to innovate themselves.

In the last few years, the expectations of tech-savvy customers have increased manifold. After demonetization, customers move with their digital wallets without feeling the need to carry hard cash with them. Digital and electronic transactions have increased taking our banking system to the next level. The success/growth of Indian banking system implies the growth of economy as a whole.

ROLE OF BANKING IN INDIAN ECONOMY

Banking has been changing at a spectacular pace. The gaining momentum of technological advancements has not left the banking sector behind. The dream of 'ANYWHERE' 'ANYTIME' banking has become a reality. Banking has no longer been confined to the urban or metropolitan cities but has penetrated even to the distant corners of the country. A major step towards contributing to economic development of the country was banks' nationalization in the year 1948. The Banking Regulation Act was passed in 1949 and it empowered the Reserve Bank of India to regulate and control all the banks in India. The next step taken by the Government towards ensuring development was nationalization of private banks, which was done in 1969 and then in 1980. As a result, Government owns approx 91% of the Indian banking business. In the year 1990, Prime Minister, Mr. P.V. Narsimha Rao liberalized the banking industry and gave licenses to private banks, which were known as 'new generation tech-savvy banks.' The banks were Global Trust Bank (acquired by Oriental Bank of Commerce), UTI Bank (now known as Axis Bank), ICICI Bank and HDFC Bank. At present, the banking sector comprises of government banks, private sector banks and foreign banks. Banking systems contributes towards the overall development of a country in a number of ways:

- a) Mobilizing the idle savings of customers to encourage capital formation.
- b) Helps in effective implementation of monetary policy.
- c) Helps in promoting imports and thus facilitating a favorable balance of trade.
- d) Aids in development of Agriculture and Industries.
- e) Regulates the flow of national savings
- f) Launching schemes for the development of entrepreneurship.
- g) Helps in controlling the circulation of money in the economy.

GROWTH OF BANKING SECTOR IN INDIA

As per KPMG-CII report, 'The banking and financial sector of India is expanding rapidly and the country is projected to become the 5th largest banking sector globally by 2020.' The banking industry comprises of 60 percent of the total assets held by the financial system. The current worth of Indian Banking Industry is approximately Rs. 81 trillion. An emerging trend witnessed by the banking sector is the utilization of technologies like internet and mobile devices to carry out transactions and thereby enhance customer experience.

REVIEW OF LITERATURE

Bhuvaneshwari R. (2016) studied the implementation of innovative practices in public sector banks in Tiruchirapalli, Tamil Nadu. Her study concluded that due to the advent of private sector banks and foreign banks, the public sector banks are struggling. The suggestion was that the public sector banks must try to adapt with the changing environment and think outside the box/innovate in order to be successful. Kaur N. et. al (2015) revealed in his study that online banking system provides greater reachability to its customers. Various strengths of online banking system were also found such as quality customer service, 24 hours accessibility, reduction of workload/paper work, ease of information availability and no requirement of keeping cash. Chauhan V. Choudhary (2015) studied the concept of internet banking, its advantages, challenges and opportunities from consumers as well as banks' point of view. Malik S (2014) carried out her study to highlight the benefits and challenges of changing banking trends. The conclusion of the research was designing a system that encourages investment in innovations and widens the gap between revenues and costs involved with reference to technological upgradation. Singh M. (2014) highlighted the evolution of banking industry, recent innovative practices and concluded that the focus in future should be on growth based on calculated risks. Kaur Sandeep (2016) in her paper shared the recent innovations in banking sector in India. She mentioned that fast changing environment, changing customers' demands/expectations; new business models are the major motivators to launch new technology in their operations. Jayakumar A. and Ganbalagan G. (2012) discussed significant innovations and challenges in banking industries in India, specifying that most of the banks have started innovating with the objective of creating better value for their customers. Komaladewi R. et. al (2012) investigated service innovation in services industry based on the extensive literature review and studied about Internet banking that offers many facilities and benefits for customers. A similar study was carried out by Akhisar I. et. al relating to the effects of bank's profitability performance of e-banking services. The conclusion of the study was that almost all the banking services studied affect the profitability of the banks except the number of POS terminals and the number of customers using e-banking services. Gupta P. (2008) in his paper identified the weaknesses of traditional banking, explored the consumer preferences for internet banking vs. traditional form of banking and

highlighted the factors that affect a bank's approach to adopt Internet Banking. The conclusion of the research was that Internet Banking in India is at nascent stage, confined to a few consumer segments and the security risks can be managed by the banks with little extra caution. Singh J. (2012) conducted his study in the city of Ludhiana to study the scenario/awareness of e-banking among people. The study concluded that customer satisfaction varied according to demographic details i.e. age, gender and occupation and that e-banking has made life of consumers quite easy.

STATEMENT OF THE PROBLEM

With the customers becoming more and more aware of their choices and banks offering undifferentiated products and services, banks are striving hard to meet the expectations of the customers and satisfy them in this tough competitive scenario. 'Offering quality and cost effective services' have become the mantra for success. It is essential to know about the satisfaction level of banking customers, specifically with respect to e-banking services so that necessary steps are taken towards reducing dissatisfaction. Also with AI permeating in our lives rapidly, there is a need to know the current status of usage of AI by the banking sector.

OBJECTIVES OF THE STUDY

- 1) To know the various e-banking services adopted by Indian banks.
- 2) To study and analyze the progress made by Indian banks towards adoption of e-banking services.
- 3) To study the advantages and limitations of using e-banking services.
- 4) To compare the customer satisfaction of public and private sector banks with regard to e-banking services.
- 5) To suggest as to how to improve/enhance usage of e-banking services among Indian consumers

HYPOTHESIS OF THE STUDY

H₀₁ There is no significant difference in the satisfaction level of public and private sector banks with respect to *Compatibility*.

H₀₂ There is no significant difference in the satisfaction level of public and private sector banks with respect to *Convenience*.

H₀₃ There is no significant difference in the satisfaction level of public and private sector banks with respect to *Performance*.

H₀₄ There is no significant difference in the satisfaction level of public and private sector banks with respect to *General parameters*.

METHODOLOGY

The study is intended to know and compare the awareness and satisfaction level of customers with respect to the e-banking services provided by public and private sector banks in Navi Mumbai area. Two major players of each public and private sector banks is taken from the study based on their net profits earned and number of branches. For the purpose of the study, both primary as well as secondary data has been used in the study. Primary data was collected from 150 customers of Navi Mumbai city. The questionnaire is divided into two parts: first part relates to the demographic profile of the respondents whereas the second part relates to the customer satisfaction level of customers with respect to the banks. Secondary data was collected from websites of banks, annual report and RBI publications.

E-BANKING PRODUCTS AND SERVICES

Indian banks offer the following e-banking products and services to its customers:

- 1) ATMs
- 2) Internet banking
- 3) Mobile banking
- 4) Electronic fund transfer using NEFT or RTGS
- 5) Issuance of debit and credit cards

Details of e-banking transactions

Particulars		State Bank of India	Punjab National Bank	ICICI Bank Ltd.	HDFC Bank
Number of ATMs	On-site ATMs	26336	5435	5256	5877
	Off-site ATMs	32997	4265	9133	6829
Number of debit cards	Towards the end of May'2018	282976998	63582649	42509897	24939721
Number of credit cards	Towards the end of May'2018	6472514	325131	5187404	10990935
Bank wise RTGS Inward and Outward	Inward Value (in billions)	10390.13	1639.95	8275.46	22912.15

	Outward Value (in billions)	11103.25	1785.73	23049.06	23371.78
Bank wise NEFT Inward and Outward	Total outward debits (in millions)	2573914.36	385092.09	1135760.23	2492218.63
	Received inward credits (in millions)	2887736.67	650138.15	1316518.47	2237237.55

Source: Statistical tables related to banks in India – RBI Website (May 2018)

DATA ANALYSIS AND INTERPRETATION

A questionnaire was circulated among customers of banks at Navi Mumbai who are using e-banking services. A total of 130 customers were approached, complete/usable responses were received from 100 customers.

Demographic Attributes	Variables and Characteristics	Respondents	
		Number	Percentage
Gender	Male	81	54
	Female	69	46
Age	Under 25	6	4
	25-35	45	30
	35-45	61	40.66
	45-55	26	17.34
	Over 55	12	8
Occupation	Government Job	20	13.33
	Self employed	24	16
	Student	11	7.33
	Housewife	18	12
	Private Job	77	51.34
Choice of bank for banking transactions	ICICI Bank	46	30.67
	HDFC Bank	34	22.66

	SBI Bank	30	20
	PNB Bank	18	12
	Others	22	14.67
Type of account with the bank	Savings a/c	127	84.67
	Current a/c	15	10
	Demat a/c	18	12
	Fixed Deposit a/c	12	8
	Loan	24	16
	Credit Card	28	18.67
	Others	10	6.67
Tenure of relationship with the bank	Less than 1 year	8	5
	1-3 years	33	22
	4-6 years	48	32
	More than 6 years	62	41

Source: Primary data collected by the researcher

The above table clearly shows the percentage distribution of demographic characteristics of respondents in each category. The major respondents were male in the age category of 35-45 years and mostly in private job. Majority of them prefer private bank for meeting their banking needs; most of them had multiple accounts with the same bank. The sample population consists of those customers who are associated with the bank from more than 6 years.

Customer Preference of E-banking Services

Parameter	Service Attributes	Public Sector	Private Sector	Mean Difference	Levenes' value	Sig. (2-tailed)	Result of hypotheses
Compatibility	Compatible to my banking needs	3.91	4.35	-0.493	42.059	0.000	
	Easy to use and saves a lot of time	3.74	4.30	0.300	2.362	0.134	
	Easier to pay bills and do fund transfers	3.74	4.27	0.421	4.884	0.044	
	Security/safety issue	3.59	4.19	0.607	14.587	0.004	
	Degree of confidence on e-banking	3.55	4.11	0.575	21.106	0.010	
	OVERALL AVERAGE					27.511	0.066

Convenience	Convenient and user friendly website	3.57	4.19	0.575	27.511	0.066	
	Accessibility of site with greater speed	3.77	4.01	1.913	5.644	0.059	
	Longer time to process transactions	3.57	4.08	1.812	45.209	0.075	
	Sufficient guidelines available on site	3.68	3.97	2.689	42.08	0.009	
	OVERALL AVERAGE				32.57	0.092	REJECTED
Performance	Accurate online transactions	3.68	4	3.131	29.994	0.003	
	Personal touch is important in banking services	3.48	4	2.004	25.454	0.049	
	Quick resolution to problems while transacting online	3.68	3.88	2.481	21.121	0.015	
	Personal information used for e-banking never misused	3.65	4.23	2.024	18.031	0.046	
	My Bank offers training to use e-banking services	3.08	4.07	3.639	9.076	0.000	
	OVERALL AVERAGE				0.237	0.358	REJECTED
General	ATMs at convenient locations	3.54	4.10	4.291	18.290	0.000	
	Online banking is trustworthy and safe	3.31	4.07	3.261	22.844	0.002	
	Lesser time to process transactions	3.37	3.97	2.700	12.214	0.008	
	Wish to continue with the same bank	3.48	4.05	2.082	10.012	0.40	
	OVERALL AVERAGE				0.656	0.281	REJECTED

Source: Compiled from primary data using SPSS Ver.21

The above table reveals that the customers are happy and satisfied with the e-banking services provided by Indian commercial banks. As far as *compatibility, convenience, performance and general parameters are*

concerned, the customers are more satisfied with the services of private sector banks as compared to public sector.

Further, correlation was computed to find out the relationship among the variables. It was found that all the values were positive, indicating a positive relationship among variables. Then, regression analysis was performed to know the extent of dependence of compatibility, convenience, performance and general parameters upon the choice of bank.

Parameter	Correlation Value
Compatibility	0.578
Convenience	0.778
Performance	0.327
General Parameters	0.593

Source: Compiled from primary data using SPSS Ver.21

Multiple regressions were used to study the effect of independent variables – compatibility, convenience, performance and general parameters to dependent variable i.e. customer satisfaction. It has been found that, compatibility (beta=0.225, t=1.782, p<0.000) and convenience (beta=0.039, t=0.230, p<0.000) have a relatively higher impact on customer satisfaction of a bank followed by performance and general parameters.

The fitted regression equation based on the data is:

$$\text{Customer Satisfaction} = 0.872 + 0.111(\text{Compatibility}) + 0.197(\text{Convenience}) + 0.014(\text{Performance}) - 0.006(\text{General Parameters})$$

The major problems that came while interacting with the customers for using internet banking services are:

- Availability of Internet/proper connectivity with the bank server.
- Lack of confidence and security concern in using internet banking.
- Lack of personal touch.
- Inadequate knowledge.
- Lack of technical expertise.
- Difficulty in understanding the process of internet banking.
- Limitations of access to technology.

MANAGERIAL IMPLICATIONS

Measuring customer satisfaction in today's times has become an integral part of any organizations' strategy. Employees of the banks should be well trained to understand the needs and preferences of customers and provide services accordingly. Public sector employees should be well trained in terms of being empathetic

to customer concerns. The rapid expansion of banking business and ever changing customer needs have created an urge for the policy makers of the banks to take care of customer satisfaction and retention issues.

SUGGESTIONS FOR ENHANCING E-BANKING USAGE

In view of the technological innovations taking place in the economy, it is recommended that:

- Training should be imparted to public sector employees too so that they are aware of all the products/services offered and in turn educate their customers as to how to use e-banking services, hence the perception issue is dealt with.
- Creating a trust in the minds of customers regarding security aspect of their transactions.
- Creating awareness by organizing public shows, talks, seminars on the ways and the benefits of using e-banking services.
- Distrust and perceived risk of getting wrong information/losing confidential information should be removed from the minds of customers so that customers start using e-banking for fulfilling their banking needs.
- Regular customer surveys/feedback to better understand the needs and requirements of the customers.
- The public sector banks must focus upon their tangibility, communication, training their customers regarding usage of e-banking services. They can also come up with options like tying up with the corporate for opening of their employees' salary accounts so as to enhance their penetration, can offer discount to customers for using their ATMs, cards while buying products/availing services from major stores.

FUTURE RESEARCH

The present research focused on comparing customer satisfaction with respect to e-banking services of both private and public sector banks in other cities and states. Future work can be done on identifying the most important factors that impact customer satisfaction. Also an attempt can be made to compare performance of banks before and after e-banking implementation.

CONCLUSION

Today banks are using technology to expand their services, improving their internal processes and thereby maximize customer satisfaction. There is still an enormous opportunity for banks to create awareness and educate their customers to make them feel confident in using e-banking services. The younger generation considers e-banking services as convenient and time saving whereas the older ones still feel lack of security while transacting online. Also banks must reinforce that the use of e-banking services would result in saving cost, time and effort for the customers and economies of scale for banks too.

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