PERCEPTION OF CUSTOMERS TOWARDS E-BANKING

(WITH A SPECIAL REFERENCE TO DHARWAD DISTRICT).

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ABSTRACT

The present study has been undertaken on 200 bank-customers who are getting banking services of 10 selected banks (Five from State-Owned and Five from Private Sector) in a progressive district and popularly known as educational heart of Karnataka called Dharwad. It situates under North-Karnataka which has been economically and politically deprived region of Karnataka State. The researcher applies SRST (Simple Random Sampling Technique). This has been demonstrated by the investigation that 98% of user-respondents uses e-banking products frequently and had diverse sorts of e-products. Percentages, frequencies simple tables and also Chi-square technique were applied for the analysis.Though, our country has adopted this latest technology very late, a number of achievements have been there to its glory. Rapid change in the demand for a variety of value added products and services has compelled the banking system to apply the different strategies to catch the attention of new customers and to preserve the existing customers. The RBI initiated e- banking products such as ATMs, Credits cards, Debit cards, Net banking, m-banking, ECS, EFT, SEFT ,RTGS, NEFT, CTS, OLTAS. to cater to the rapidly changing requirements of the bank-customers. The transformation from paper-based banking into paper-less banking or electronification has very much benefitted both the banking sector and the bank-customer. This revolution termed as electronic revolution has significantly influenced both the banking sector and the bank-customers. The role of RBI in this regard is really appreciable. The cut-throat competition and advancements in technologies have forced the banks to focus more on customer satisfaction with varied e-services. So the customers-centric approach has become necessary today for the survival of the banking industry. The present analysis of the data clearly discloses that there exists a significant correlation between the level of satisfaction and the demographic aspects of the customers such as marital status, educational level,occupation and the level of income and there is no significant correlation between their age and their satisfaction level. Though the efforts of banking system are laudable in this regard there still needs an improvement in e-banking mechanism and proper accessibility must to be assured by the banking machinery to reach the rural and very remote corners of our country.

(KEY WORDS: e-banking, electronification, RTGS,NEFT,OLTAS, Conventional, digital, association cost-effective demographic factors)

CHAPTER-1

STUDY OF GENERAL FRAME WORK

1.1 INTRODUCTION:

Technological innovation has made an outstanding transformation in the modern banking sector. It has been renovated from paper-based banking into digitalized banking. Providing a wide –range of products and services through electronic device called E-banking has become a pioneering trend among the public. There has been a sea Progression in the sector during the last two decades. Though, our country has adopted this latest technology very late, a number of achievements have been there to its glory. Rapid change in the demand for a variety of value added products and services has compelled the banking system to apply the different strategies to catch the attention of new customers and to preserve the existing customers The consumer-centric setting has supported the banks to broaden their services to cater to the needs of their customers. Due to the cut-throat competition on account new technological inventions, banks are required to give more attention to customer satisfaction with a variety of qualitative banking services. The authentic shape of banking emerged very recently only after the industrial revolution. A country cannot dream of a healthy economy without a fundamental and competent banking system. Banking sector has been regarded as the strength of any country. The performance of entire economy is absolutely influenced by the performance of the system of banking prevailing in the country. As we are aware, Indian banking has reached to every remote corner during the last five years due to the Progression of Information & Technology and spreading of mobile in rural and distant areas. Today without banking, we cannot imagine the survival of the civilized world. The banking has become the most significant part of the human civilization.

The present study is aiming at evaluating the acceptance and practicing of e-banking by the bank-customers concerning to Indian banking system in general and has a particular reference to Dharwad district of Karnataka state. The analysis of the data discloses that the demographic factors like age, education,level of income and occupation are the crucial factors that have a significant influence on operation of e-banking services of various banks by the bank-customers in the present study area.It has also been discovered that willingness of the respondents is to use the e-service which is almost free from any technical alliance and they also prefer to use such a service which is cheaper.

An astonishing revolution in the banking system of our country is Electronic-Banking revolution'. A radical change took place during 1991-92 due to Liberalization and de-regulation in the Indian Banking System. The most recent product of E-Business is E-Banking. In the race of Globalisation, the entire Banking System of our country is reengineering the E-banking. E- Banking is called by different names like –E-Banking On-Line Banking, Virtual Banking or Internet Banking. It has been made possible by the advancement of technological innovation and the inclination of the net to do one's banking dealings

from anyplace-play ground, school,college,office or home without physically venturing into the bank office.In this study, the author looks in to the views of reception and practice of E- banking services provided by the banks in Dharwad District from customers perspective.

In association with the introduction of upgrading of safe and efficient modes of Payment Systems, the Reserve Bank of India has taken various initiatives to cater to the needs of the public at large in connection with Indian Banking. An important characteristic of great geographic spread of the country and the vast network of branches of Indian Banking system is requirement of the logistics of assortment and delivery of paper instruments.

The researcher selected 20 user-respondents from each of the State-Owned Banks category and Private Banks Category under SRST (Simple Random Sampling Technique). Those bank-customers who are operating e-banking services offered by selected State-Owned and Private Banks functioning in Dharwad Dist. The investigator has at random selected five (5) State-Owned banks and also FIVE(5) Private Banks as under:-.

SELECTED FIVE (5) STATE-OWNED BANKS ALSO FIVE(5) PRIVATE BANKS

Sl No	State-Owned Banks	Private Banks
1	State Bank of India	Karnataka Bank Ltd
2	Syndicate Bank	HDFC
3	Canara Bank	ICICI
4	Corporation Bank	ING Vysya Bank
5	Indian Bank	IndusInd Bank

1.2 STATEMENT OF THE PROBLEM:

Today's bank-customers are not happy with care and cordiality alone, they expect concern and accountability. In this way, the customers-driven approach is the need of the banking system. In this challenged scenario, not the most seasoned, not the most grounded and not the first can survive, but rather just the "Best" can survive. No doubt, the educational level of user-respondents impacts the use of E-banking service. The victory of e-banking relies upon the innovation as well as on, to the substantial degree the performance, responsibility and involvement of the working force at all levels and also how far the bank-customers get the advantages from the operation of E-banking service. The most forceful driving force behind the acceptance of new technology is the increasing rivalry among banks to increase or preserve their existing bank-customers. While the efforts towards this path are excellent, the advantages are largly limited to selected sectors of the society and in the metro and urban territories.

Though e-banking has different advantages. it has so many challenges at the same time. E-banking, convenience of customers to make use of E-banking facilities and so on. While numerous investigations have been attempted to look into the issues in the broadest background of E-banking and customers' reliability, influential research in the specific context of Dharwad District is rather limited. In this study an honest endeavour has been made to recognize the prospects and difficulties in the acceptance of E-banking in selected State-Owned and Private Banks in Dharwad Dist.

1.3 OBJECTIVES OF THE STUDY:

1. To Understand the relationship between demographic factors and approach of the customers using E-banking Services provided by selected State-Owned Banks and Private Banks in Dharwad Dist. Karnataka.
2. To investigate, judge and assess the perceptions and satisfactory level of customers using E-banking Services provided by the banks in the region.

1.4 RESEARCH QUESTIONS:

1. Why do customers have a preference to some E-banking services over conventional banking services?
2. What does encourage them to adopt of E-banking?

1.5 LIMITATIONS OF THE STUDY:

The present study is limited only to the selected State-Owned and Private Banks in Dharwad Dist in North Karnataka. The endeavor was to explore the perceptions and expectations of E-banking used by customers of banks within a certain range. The study was restricted only to the information obtainable through various sources relating to initiatives and payment systems introduced by RBI. Furthermore, some important official documents that would allow the researcher to carry out the study were not released by the bank since they were confidential. For that reason, referring to some of the information from records was rather difficult. Time and resource constraints also limited the study.

1.6 SCOPE OF THE STUDY:

The study was undertaken at 10 selected Banks in Dharwad District(Five State-Owned Banks and Five Private Banks in Dharwad Dist, North Karnataka.) The branches are Vidyanagar Branch, Hubli, Vijayanagar Branch Hubli. Gunj Circle Dharwad, Karnatak University,Pavate Nagar Dharwad. Unkal Cross, Hubli, Saptapur Malmaddi Dharwad. These branches were selected bearing in mind the broad operation of E-banking services or items and their familiarity to the researcher.

1.7 LITERATURE REVIEW:

Literature review is concerned about the investigation of earlier period research work in the field of the selected area of the investigation. It is a critical part of the research. It gives an elevated view of the looks into that have just been attempted in the field.

Howard & Worboys (2003) in their study have revealed that saving time and energy is the major plus-point in on-line retailing/shopping through self-service. Concurrently, its main drawback is the lack of human touch. Because there will not be any face to face contact between customer sales-men in the online retailing (1)

Karlsson, Kuttainen,Pitt, & Spyropoulou (2005) Opine that by making comaprision between traditional shopping and on-line retail store, customers may anticipate more value of the product and little procedure in an online.(2)

Reichheld and Kenny,(1990). In their analysis, they investigated that Consumer satisfaction is prominent amongst the most critical elements for the gainfulness of retail banking money in India. The benefit of banks requires the preservation of bank-customers as long as possible. Retaining bank-customers is more economical than bringing in new bank-customers(3)

Chakravarty, (1996). In his test, it was explored that Customers-driven services form a critical part for the banking industry. In addition the customers benefit must be the recognizing factor. The mission of the banks must be to lower the costs, enhance effectiveness, increase benefit in this way considering the consumer satisfaction.Concern has now turned to enhancing the nature of service experience when bank-customers enter the bank and come into up close and personal contact with bank staff.(4)

Pikkarainen et al.,(2004). In their investigation, it was discovered that banks are receiving web-based banking as it is one of the least expensive conveyance channels for banking products(5)

1.8 NULL HYPOTHESIS:

After going through the above literature,the following null hypothesis has been formulated:

There is no significant association between the demographic aspects of user respondents and the level of satisfaction they gain from using e- banking services.

1.9 CONCEPT OF E-BANKING:

E-banking has been described as Click and Mouse banking in place of Brick and Morter. Electronic banking briefly E-banking is meant as operation of basic banking transactions by bank customers round the clock through electronic media**.** The wonderful concept of 24x7 banking is made possible through E-banking E-banking, since its inception has undergone an outstanding transform. The foreign countries like Brazil, Republic of Korea and Estonia were the creators of world's leading Electronic Banking systems. E-banking system has been at a very low cost compared to other world-class internet banks (Sahlen 2002). But in India,

due to its problematic state of infrastructure by a lack of PC penetration has got low E-banking acceptance rates, low labour costs and free existing branches.

1.10 RESEARCH METHODOLGY:

Research Methodology is a deliberate method to slove the Research problem. It is an exploration to concentrate on how investigation is done scientifically. It is vital for the Resercher to know not only the methods or techniques but also Methodology. The research make-up is a descriptive research. Descriptive statistics were tabular,graphical and numerical summaries of data. Its primary purpose is to facilitate the presentation and inference of the data. Descriptive Research Design includes a portray of the variables making up the demographic and geographic profile of the sample.

200 bank-customers were picked as user-respondents for the present investigation**.** 20 customer user-respondents from every one of the State-Owned Banks class and Private BanksCategory under Simple Random Sampling Technique. Of these 200 Customer user-respondents, 142 were male and 58 were female. This constitutes 71% Male and 29% Female. The required information has been gathered through a structured questionnaire.The structured questionnaire were administerd to the customers of e-banking service This has been shown by the investigation that 98% of user-respondents using E-bankingall the time and had the distinctive kinds of E-products.

1.11 DATA ANALYSIS AND INTERPRETATION:

The perceptions of the customers and prospects and challenges of electronic banking as viewed by them of the banking system has been presented in this section:

SATISFACTION LEVEL OF BANK-CUSTOMERS BASED ON DEMOGRAPHIC ASPETS

TABLE: 1

SATISFACTION LEVEL GENDER-WISE

SL. No	Gender	No of User-respondents	%	Satisfaction Level		
				Low	Medium	High
1	Male	142	71%	26 (18%)	70 (49%)	47(33%)
2	Female	58	29%	47 (33%)	58(41%)	36 (26%)
	Total	**200**	**100%**	**73**	**128**	**83**

Source: Primary Source

Table No 4.34, reveals that among 142 male respondents, 49% are having medium level of satisfaction and 47% have high level of satisfaction. On the other side 41% are having medium level of satisfaction.

TABLE: 2

SATISFACTION LEVEL AGE-WISE

SL. No	Age	No of User-respondents	%	Satisfaction Level		
				Low	Medium	High
1	Below-25	26	13%	07(28%)	11(44%)	08 (32%)
2	25-35	76	38%	17(22%)	36 (50%)	23 (32%)
3	35-45	38	19%	12(33%)	17(47%)	09 (27%)
4	45-55	50	25%	10 (17%)	26 (50%)	14 (25%)
5	Above-55	10	05%	01(13%)	06 (63%)	03 (25%)
	Total	**200**	**100%**	**47**	**96**	**57**

Source: Primary Source

Table no 4.35 discloses that among 200 respondents, 96% are having medium level of satisfaction and 47% have a very low level of satisfaction. Only 57% expressing that they are highly satisfied. One more thing disclosed is that the respondents ranging in the age of 25-35 are more satisfied

TABLE: 3

SATISFACTION LEVEL BASED ON EDUCATION LEVEL

SL. No	Education Level	No of User-respondents	%	Satisfaction Level		
				Low	Medium	High
1	Up to SSLC	24	12%	05 (21%)	11(47%	08 (32%)
2	Under Graduates	100	50%	31 (31%)	38 (38%)	31 (31%)
3	Post-Graduates	50	25%	10 (20%)	28 (55%)	13 (25%)
4	Professional	26	13%	05 (20%)	05 (20%)	16 (60%)
	Total	**200**	**100%**	**51**	**87**	**67**

Source: Primary Source

Table No 4.36. discloses that it is investigated that among 200 respondents, 87% are having medium level of satisfaction and 51% have a very low level of satisfaction. Only 67% expressing that they are highly satisfied.

TABLE: 4

SATISFACTION LEVEL BASED ON OCCUPATION

SL. No	Occupation	No of User-respondents	%	Satisfaction Level		
				Low	Medium	High
1	Employees (Salaried)	82	41%	21 (26%)	32 (39%)	25 (30%)
2	Businessmen	66	33%	9 (14%)	22 (33%)	15 (22%)
3	Professionals	24	12%	5 (22%)	16 (65%)	16 (67%)
4	House-wives	10	05%	3 (33%)	6 (62%)	2 (20%)
5	Retired persons	18	9%	12 (68%)	9 (52%)	7 (37%)
	Total	**200**	**100%**	**51**	**85**	**64**

Source: Primary Source

Table No 4.37 discloses that employees (Salaried respondents) are 41% and have high level of satisfaction. House wives have a very low level of satisfaction by the use of e- banking.

TABLE: 5

SATISFACTION LEVEL BASED ON INCOME LEVEL

SL. No	Level of Income	No of User-respondents	%	Satisfaction Level		
				Low	Medium	High
1	Less than 100000/-	08	04%	02 (25%)	03 (42%)	03 (43%)
2	100000-250000	60	30%	12 (20%)	40 (66%)	15 (25%)
3	250000-500000	82	41%	26 (32%)	37 (45%)	17 (21%)
4	500000-1000000	40	20%	14 (35%)	09 (23%)	08 (20%)
5	Above-1000000	10	05%	04 (39%)	06 (56%)	04 (38%)
	Total	**200**	**100%**	**58**	**95**	**47**

Source: Primary Source

Table No 4.38 above reveals that the user respondents having income ranging from 2.5 Lakhs to 5.Lakhs are 41% have high level of satisfaction.

CHI-SQUARE ANALYSIS:

In the study area ,the satisfaction level of user respondents has been studied. The views gathered from the bank customers of selected banks have been analysed with their demographic factors and specific factors for evaluating the level of satisfaction with the help of Chi- Square technique:

$$X2 = \sum \frac{(O - E)2}{E}$$

With the df (Degree of freedom = (C-1)(R-1)

Wherein O = Observed Frequency C= Number of Columns

E= Expected Frequency R= Number of Rows

Hypothesis :- There is no significant association between the demographic aspects of user respondents and the level of satisfaction they gain from using e- banking services

TABLE: 6

CHI-SQUARE ANALYSIS

Sl No	Demographic characteristics	X2 Value	Df (Degree of Freedom)	Table Value at 5% Level	Significant or Not Significant
1	Age	10.078	08	7.344	Not significant
2	Gender	5.982	02	7.824	Significant
3	Educational Level	4.755	08	7.344	Significant
4	Occupation	4.667	08	7.344	Significant
5	Income Level	5.045	08	7.344	Significant

Source: Primary Information

The above Chi-Square Analysis discloses that there exists a very significant relationship among, gender, educational level occupation and the income level of user-respondents but there is an insignificant association between age of the respondents and the level of satisfaction by the usage of electronic banking services.

1.12 FINDINGS AND CONCLUSIONS:

Demographic analysis of the populace shows the frequencies and percentages of the user-respondents divided according to gender, age, education occupation and their income. The majority of the user-respondents were male (71%), As per age-wise distribution , most of the user-respondents fall under the age group of 25 to 35 (38%). Based on education, 50% are post graduates and 41% are salaried people and 41% are having annual income between the ranges from 250000 to 500000. Of 100 customer user-respondents of State-Owned banks 65% are male and 35% are female. Of 100 customer user-respondents of Private Banks77% are male and 23% are female. The research was undertaken to ask the user-respondents that how many times they have made use of e-bankingservices during a period of three months. The result showed that 22 % of are using e-bankingtwice during the period.35% are using this technology only once for making payment of telephone bill, 60% use only one time for payment of electricity bill, 25% use e-bankingtwice during three months time for their funds transfer.

Table No 01, reveals that among 142 male respondents, 49% are having medium level of satisfaction and 47% have high level of satisfaction. On the other side 41% are having medium level of satisfaction. Table no 02 discloses that among 200 respondents, 96% are having medium level of satisfaction and 47% have a very low level of satisfaction. Only 57% expressing that they are highly satisfied. One more thing disclosed is that the respondents ranging in the age of 25-35 are more satisfied. Table No 03. discloses that it is investigated that among 200 respondents, 87% are having medium level of satisfaction and 51% have a very low level of satisfaction. Only 67% expressing that they are highly satisfied. Table No 04 discloses that employees (Salaried respondents) are 41% and have high level of satisfaction. House wives have a very low level of satisfaction by the use of e- banking. Table NO 05 above reveals that the user respondents having income ranging from 2.5 Lakhs to 5.Lakhs are 41% have high level of satisfaction.

The **Chi-Square Analysis** discloses that there exist a very significant relationship among, gender, educational level occupation and the income level of user-respondents but there is an insignificant association between age of the respondents and the level of satisfaction by the usage of electronic banking services.

The another finding is that major percentage of e-banking users are younger generation due to the new innovation in technology and are willing to use it more than those of older generation ranging above 60 years. Risk is one of the most threatening factors in the usage of electronic banking. The customers are not sure about the security of their money. From the angle of some customers, the private banks are far better in providing superb services. At the same time some others are of the view that Public Banks are excellent in providing secured transactions.

The acceptance as an extremely cost effective delivery channel is the major driving force behind the fast reach of e-bankingtoday. However, on the other side, it is coupled risks such as reputation risk, security risk, cross-border risk and strategic risk, which are exceptional to e-bankingThe incorporation of e-bankingapplications with legacy systems implies an integrated risk management approach for all banking activities of a banking institution. The banking industry has been confronting with numerous challenges in

this millennium. The benefits of online banking systems are largely restricted to the metro and urban areas. The achievement of any bank depends on its capability to attract and preserve customers. The main objective of the present study was to analyse the level of satisfaction by the acceptance and usage of Dharwad customers.

1.13 SUGGESTIONS:

1. Strengthening of CBS (Core Banking Solutions)has become essential, due to the increase in the size of bank dealings.
2. Opening up of ATM booths at some significant places like ,Hotels, Colleges, Cinema Halls, at the heart of the markets, shopping malls etc.,
3. Banks are advised to provide some financial help to their customers to go for purchasing PCs or Laptops to induce the usage of internet thereby operating e-banking system and gaining the fruits of this technology.
4. Recruiting efficient and sufficient employees who are experts in security issues.
5. Banks are required to have an efficient adversity revitalization plan along with complete risk management system in place to handle the problems.

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