

“Effectiveness and Challenges towards E-Banking, Present and Future”

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Abstract: *In the era prior to Nationalization of Banks, key sectors of the Economics including agriculture remained thoroughly neglected in terms of availability of institutional credit. The Industrial sector at that time accounted for about 15% of national output, it appropriated 2/3rd of commercial bank credit. Till 1990's, Indian banking system was almost monopoly of the government and the system was characterized by low profitability and productivity. In 1993-94, RBI allowed the entry of private sector and foreign banks in the banking industry, which led to greater competitions among banks, As these banks entered into the market with attractive and innovative products and services through E-channels like ATM's, Debit/Credit/Smart Cards, Internet banking, Tele-banking, Mobile banking, EFT's, etc, because of this public sector banks, are forced to provide prompt and reliable customer services and offer a variety of hi-tech banking products and services to attract them. Application of latest technology acts as an instrument of strategy in Indian banking too. A review by IOB revealed the impact of Electronic Banking has been attempted showing the importance of bank networking using a diverse range of systems. In this study the opportunities for the future with the electronic banking in general and in particular have been analyzed with a sample of 150 customers of Chennai.*

Key Words: Banks, Technology, Internet Banking, E-banking, IOB ,etc.,

Introduction:

Worldwide, the fast moving developments on the internet affects all aspects of society. Banking is not an exemption to it. Banks and Financial Institutions are service providing organizations. Technology has always had profound impact on our civilization. Proper utilization of technology strongly influences business competitiveness. Banks have traditionally been in the forefront of harnessing technology to improve their products, services and efficiency. They have, over a long time ,been using electronic and telecommunication networks for delivering a wide range of value added products and services. Bank increasingly uses the popularity of PC's easy access to Internet and World Wide Web (WWW), this acts as a channel for receiving instructions and delivering their products and services to customers. Internet banking both s a medium of delivery of banking services and as a strategic tool for business development, has gained wide acceptance internationally and is fast catching up in India with more and more banks entering the fray. India can be said to be on the threshold of a major banking revolution with net banking having already been unveiled. The facility of accessing their accounts from anywhere in the world by using a home computer with Internet connection, is particularly fascinating to Non-Resident Indians and High Net worth Individual having multiple bank accounts. Costs of banking services through the Internet from a fraction of costs through conventional methods, Rough estimates assume teller cost at Re 1 per transaction, ATM transaction cost at 45 paise, Phone banking at 35 paise, and internet banking at 10 paisa per transaction. The cost conscious banks in the country have therefore actively consider use of the Internet as a channel for providing services. Internet banking is experiencing a rapid growth and has become an efficient way to market their products and services. The Internet banking is as safe as traditional methods remote banking & off-line processing capabilities circumvent the problems posed by Internet traffic. Vendors are able to provide wide ranging supports to banks wishing to formulate and implement an effective Internet banking solution.

Objectives of the Study:

- 1.To Study the role of E-banking and its technology impact on Banking Sector.
- 2.To analyze the trend factors that affect the working mode of banks through E- Banking.
- 3.To Study those factors that stimulates the customers perceptions to avail E- Banking Services.

Need for the Study:

The Introduction of Social Control over banks in Indi in 1968 and the subsequent nationalization of major commercial banks in 1969 and 1980 led to a phenomenal transformation in the banking industry. The liberalized atmosphere in the Indian Commercial banks is to integrate with international financial market. In this transformation the major burden is on the public sector banks. These banks have to work under competitive pressure and so they have to produce competitive products to face the changing financial market of the our country. The modern banking has to process volumes of information. Therefore introduction of appropriate technology is the only solution to achieve timeliness, accuracy and better customer service. To achieve these goals banks have to invest heavily in latest technology to offer its clients a wide range of high quality services.

Review of Literature:

De Young investigated the performance of internet – only banks and thrifts in the U.S.A. The empirical analysis found that the newly chartered internet – only banks substantially under perform the established banks at first, but these performance gaps systematically diminish over time and new banks grow older and larger. The study suggested that the internet only banking model might be feasible when executed efficiently.

Rao et al. Provided a theoretical analysis of Internet banking in Indian and found that as compared to banks abroad, Indian Banks offering online services still have a long way to go. For online banking to reach a critical mass, there has to be sufficient number of users and the sufficient infrastructure in place.

V.Leeladhar, has observed branch – its future in india. The branch infrastructure in the Indian situation is fairly well spread and offers excellent scope for strengthening branch banking through a structural process of rationalization and consolidation. With the help of technology the branch network can truly survive to achieve a greater level of customer satisfaction

Agarwal, explored the role of E -Banking in E-Democracy. With the development of asynchronous technologies and secured electronic transaction technologies, more banks and departments were using internet for transactional and information medium, Initiatives such as E-Seva and FSC are the milestones towards achieving comprehensive E-Governance.

Ch.Prabhakar Rao, has visualized Indian banking in 2015, Indian banking will move towards, “Virtual Banking”. The ‘brick and mortar’ bank branches will disappear and customers will be able to operate their bank accounts through electronic devices.

Methodology:

Chennai City is purposively chosen for the present study, as it is one of the major metropolitan cities of India. In Chennai different types of banks are available with wide variety of services. This study was conducted to capture the perceptions of E- banking to whether E-banks are preferred over the traditional banks or not. The methodology adopted for this study is based on the primary and secondary data. The study is based on a sample of 150 customers, working with internet banking and having experience in feeling with customers through internet banking. Cluster sampling statistics will be performed for making analysis.

Application of Statistical Tools:

Data's was analyzed with the help of percentage method, ranking and weighted average score (WAS) methods. The respondents were asked to respond on a 5 point liker's scales (ie) Strongly Agree, Agree, Natural, Disagree, Strongly Disagree regarding to various statements.

Limitations of the Study:

- 1.The Study is conducted only in Chennai City.
- 2.Sample Size is limited to 150.

Analysis of Data & Interpretation:

Table 1

Sex-wise classification of Sample Respondents

Sex	Number of the Respondents	Percentage
Male	102	68
Female	48	32
Total	150	100

Table 2

Age-wise classification of Sample Respondents

Age	Number of the Respondents	Percentage
Below 25 Years	24	16
26-44 Years	87	58
45-59Years	14	09
Above 60 Years	25	17
Total	150	100

Table 3

Martial Status of Sample Respondents

Martial Status	Number of the Respondents	Percentage
Single	107	71
Married	43	29
Total	150	100

Table 4

Monthly Income Level of Sample Repondents

Income Level	Number of the Respondents	Percentage
Below 15,000	42	28
15,001-25,000	33	22
25,001-35,000	60	40
Above 35,000	15	10
Total	150	100

Table 5
Educational Level of Sample Respondents

Educational Level	Number of the Respondents	Percentage
UG	78	52
PG	42	28
Professional	30	20
Total	150	100

Table 6
Computer Knowledge of Sample Respondents

Computer Knowledge	Number of the Respondents	Percentage
Yes	140	93
No	10	07
Total	150	100

Table 7
Type of Bank

Type of Bank	Number of the Respondents	Percentage
Nationalized Banks	88	59
Private Banks	62	41
Total	150	100

Table 8
Period of Usage of E- Banking

Period of Usage	Number of the Respondents	Percentage
< 1 Month	12	08
1-65Month	26	17
5-12 Month	72	48
>1Year	40	27
Total	150	100

Table 9
Name of the Bank

Name of the Bank	Number of the Respondents	Percentage
Indian Overseas Bank	45	30
Indian Bank	37	25
Axis Bank	32	21
Punjab National Bank	25	17
HDFC Bank	11	07
Total	150	100

Table 10
Reasons for Choosing the Particular Bank

Reasons for Choosing	Number of the Respondents	Percentage
Traditional Banking Services	53	35
Excellent Service	77	51
Others	20	14
Total	150	100

Table 11
Traditional & Internet Bank Account

Reasons	Number of the Respondents	Percentage
Yes	122	81
No	28	19
Total	150	100

Table 12
Reasons for Operating Internet Banking Account

Reasons for Operating Internet Banking Account	Ranking
Convenience	1.62
Eagerness	2.50
Better Interest Rate	8.38
Safety & Security	4.00
Low Maintenance Charges	6.29
Easy To Operate	4.33

Table 13
Different Service Offered Through E- Banking

Services Offered	Number of the Respondents	Percentage
Download Personal Bank Transaction activity	23	15
Check Balance On-Line	38	25
Apply for Customer Loans	08	06
Inter account Transfer	30	20
Online Bill Payment	44	29
Others	07	05
Total	150	100

Table 14
Activites Performed in On-Line

Activites Performed	Number of the Respondents	Percentage
Funds Transfer	87	58
Online Buying & Selling	63	42
Total	150	100

Table 15
Frequent Usage by the Respondents Per Month

Time	Number of the Respondents	Percentage
< 1 Time	15	10
1 – 5 Times	22	15
6 – 10 Times	35	23
11 – 15 Times	44	29
Above 16 Times	34	23
Total	150	100

Table 16
Payment Through Online

Number of Times Payment Made	Number of the Respondents	Percentage
< 1 Time	16	11
1 – 5 Times	30	20
6 – 10 Times	38	25
11 – 15 Times	45	30
Over 15 Times	21	14
Total	150	100

Table 17
Safety in Online Banking

Particulars	Number of the Respondents	Percentage
Yes	112	75
No	38	25
Total	150	100

Table 18
Risks in Online Banking

Particulars	Number of the Respondents	Percentage
Yes	126	84

No	24	16
Total	150	100

Findings, Suggestions & Conclusions:

The findings of the demographic characteristics of customers and marketing services, using percentage and X2 test to find out the following facts namely gender, educational qualification, marital status etc., are more role. Moreover the association between the demographic variables and marketing services in IOB Chennai city are positively significant at 5 percent level as shown in X2 value is concern. The introduction and growth of technology has been considered while acknowledging that providing a quality service is viewed as a key strategic factor in establishing competitive advantage. Due to this, research was carried out to establish relationship between technology and service quality in banking industry and it was established that there is a direct relationship between technology and service quality in the banking industry through use of correlation analysis, percentage and means. The E-Banking customers seems to be quite satisfied in the areas like Security, Efficiency, Accurate Records, Convenience, Accurate Transactions., The respondents indicated that security and operation of the electronic banking lies in the “Keep up Good work” Quadrant. From the importance of performance point, it is important that the financial institutions wanting customers to use and be satisfied with banking technology must implement personalized aspect to the service. The banks should install some ATM’s in supermarkets, learning institutions and in other places and the management should also improve their ATM’s systems so as to minimize the waiting time in the queue. This will improve the efficiency in the service delivery and boosts customer confidence. The banks should provide statements for every transaction that has been conducted electronically. This will enable the customers to verify accuracy of all transactions including the transaction confirmation. According to “Lovelock”, customer feedback is an established concept of strategic planning. Therefore it is recommended that performance of banking institutions should be monitored on a regular basis. Internet banking is changing the banking industry and is having the major effects on banking relationships. The net banking, thus “now is more of a norm rather than an exception in many developed countries” due to the fact that it is the economical way of providing services. Banking is now no longer confined to the traditional brick and mortar branches, where one has to be at the branch in person to withdraw cash or deposit a cheque or request a statement of accounts, it is a time and need to scan and analyze the market and respond to the needs of customers and to generate awareness regarding the advantages of Internet banking. In true Internet banking, any inquiry or transaction is processed online without any reference to the branch (anywhere banking) at any time. Providing Internet banking is increasingly becoming a need to have than a nice to have Banking services.

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