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Innovation of E-Banking: A Boon to Banking Customers



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INNOVATION OF E-BANKING: A BOON TO BANKING CUSTOMERS

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Abstract:

From time immemorial, invention and innovation is part and parcel of human existence. Becoming aware of this notion, after nationalization in 1969 and 1980 respectively the banking sector in India, underwent dynamic changes and gave new shape from being brick banking to click banking system. As a result the banks started to focus from product-centric to customer-centric. Today the e-bank services are more effective due to the time factor, attractive facilities and better quality service. As per the statistical report, India has 205 million internet users and ranks third among the internet penetration of 12.6 per cent after China and US. Therefore this paper aims to study the innovation of banking sector in the recent past and how far it has influenced banking customers in the study area. Results indicate that the users of e-banking services are greatly benefited by using ATM services, Checking the balance enquiry and payment of bills. This paper too recommends number of recommendations to the service providers to make e-banking services as more user friendly and beneficial to the customers which in turn open a new vista to banking arena.

KEYWORDS:

E-banking services, Innovation and Technology,

INTRODUCTION:

With an advent of information and communication technology (ICT), the banking sectors were demanded to provide new technological services via E-commerce. This has led to a novelty of handling daily banking business through E-banking services. Today, the banking sector has a major paradigm shift from "Brick banking" to "Electronic Banking". Electronic Banking is a generic term which encompasses ATM, Internet banking, Mobile banking, Phone banking, Tele banking, Electronic clearing services, Electronic clearing cards, Smart cards, Door step banking and Electronic fund transfer. It works on the principles that banks should make a focus from being product-centric to customer-centric. The use of e-banking provides lots of benefits which add value to customers' satisfaction in terms of better quality of service offering and at the same time enable the banks to gain more competitive advantage over other competitors. According to the recent statistics India has 205 million internet users and ranks third among the internet penetration of 12.6 per cent after China and US.

The number of internet users in urban India is 137 million, while in rural parts it is increasing by 58 per cent annually. This presents a great opportunity for internet banking in the country. The number of internet banking users in India is expected to rise to 213 million by 2014, making India jump onto the second place replacing U.S. Referring to the current scenario, out of 205 million users in India, 112 million prefer mobile banking. This is clearly, due to rapid IT development in the banking system in the major cities, but the statistics in suburban and rural India is different and comparatively low. E-banking services

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other than ATMs still do not account for a significant portion of total transactions in suburban and rural India due to the lack of awareness about the e-banking services provided by banks.

REVIEW OF LITERATURE

Gomathi(2007) states that the advent of technology both in terms of computers and communications have drastically changed the methodology of a banking business. Hence E-banking services are an important service to the banking customers. The E-banks are more efficient with respect to the time factor, attractive facilities and better quality service and this is the important reason for the bank customers to switch over to E-banking services (Uppal and Kaur). The Internet banking has attracted the attention of banks, securities trading firms, brokerage houses, insurance companies, regulators and lawmakers in developing nations since the late 1990s (Sufyan Habib). However these online services still face some problems related to legal and risk management (Papaport Klomsiri).

STATEMENT OF PROBLEM

The banking sector being a service sector has undergone tremendous change due to Banking reforms in 1988, Liberalisation, privatization and Globalization(LPG)in 1990, and Information and technology Act(ICT) in 2000. As a result the banking transaction changed from brick and mortar system to click system. The banks cater to millions of people who are in the nook and corner of the world with ease, convenience and friendly service via e-banking services. Rapid strides are already being made in banking technology in India and internet banking is a manifestation of this. Every day we see new tie-ups, innovation and strategies being announced by banks. Hence both private and public banks are becoming global leaders in the current scenario. Banks have found themselves at the forefront of technology adoption for the past three decades. Banks began to look at e-banking as a means to replace some of their traditional branch functions. At this juncture a number of questions arise in the minds of the researchers like what are the factors that influence the respondents to avail e-banking services? How do they make use the e-banking services? To what extent are they satisfied in availing E-banking services? Considering these questions, the researchers have focused the study on "Innovation of E-Banking: A Boon to Banking Customers"

OBJECTIVES

The general objective of the paper is to assess the innovation of e-banking services among the sample respondents. The following are the specific objectives:

- To know the demographic profile of the sample respondents
- To find out the factors influencing the sample respondents to prefer E-banking services in the study area.
- To discuss the utility of e-banking services and measure the satisfaction level of the respondents.

METHODOLOGY

This study is based on both primary and secondary data. The primary data were collected from 50 respondents from Nagercoil town. The samples were selected on the simple random basis. The secondary data were collected from books and websites.

Scope

In the 21st century being a service sector, the banking company stands in the forefront of technology adoption due to globalized, liberalized and a competitive environment. Customers are attracted by the convenience and easy accessibility of banking transactions which saves their time and energy. Therefore this study is an eye-opener to the banking customers to understand the importance and the extent of utility of banking services. This study covers the banking customers in and around Nagercoil town. Hence it has a great scope for banking customers in and around the study area.

Limitations

The study has a limited coverage, since the data were collected from the customers of Indian Bank, State Bank of India, Indian Overseas bank, Central Bank of India, Canara Bank and ICICI in Nagercoil town. Moreover due to time constraints, only the top five services like ATM, On-line banking, Mobile

banking, Telephone banking and E-payments were analysed. Further the sample size is 50 in number which is very less compared to actual population availing E-banking services in the study area. Hence the results drawn cannot be generalized. Adding to that the problems of E-banking services are ignored, in order to highlight the positive aspects of the E-banking services.

TOOLS FOR ANALYSIS

In this study, various statistical techniques like percentage analysis, Garret's ranking method, weighted average method and Likert's scale method are used to analyze and interpret the collected data.

ANALYSIS AND INTERPRETATION

Demographic profile is one of the important variables which determine the quality of decision making and adoption of technology in the life of sample respondents.

**Table-1
Demographic profile of the respondents**

Variables	Particulars	No. of Respondents	Percentage
Age	Below 25 years	11	22
	25-35 years	15	30
	35-45 years	16	32
	Above 45 years	8	16
	Total	50	100
Gender	Male	30	60
	Female	20	40
	Total	50	100
Educational qualification	Primary education	3	6
	Higher secondary education	6	12
	Under graduate	21	46
	Post graduate	18	36
	Total	50	100
Occupation	Service class	10	20
	Business class	8	16
	Agriculturalist	3	6
	Industrialist	5	10
	Professional	11	22
	Student	7	14
	Home maker	6	12
	Total	50	100
Income	Below 15000	8	16
	15001-30000	21	42
	30001-45000	14	28
	Above 45000	7	14
	Total	50	100

The table clearly depicts that 84 per cent of the respondents who avail e-banking services belong to the age group of 25 to 45. It is evident that youngsters are early adopters of any innovation. 60 percent of male respondents are benefited from the E-banking services since during working hours they cannot visit the banks in person. It is inferred that it saves their time and energy and they spent that hour for other productive purposes. 82 per cent of the respondents are degree holders who are flexible to changing

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environment and they easily adopt modern gadgets due to convenience and comfort reasons. 22 per cent of the respondents are professionals who are very conscious about their time management. 94 per cent of the respondents earn monthly income more than Rs.15,001 to 45,000 which reveals that the middle income group are benefited from E-banking services. It is inferred that the sample respondents who are exposed to innovation of banking sector are educated, professional youngsters and middle income groups.

FACTORS INFLUENCING CUSTOMER'S PREFERENCE

For the adoption of any product or services, a number of factors should be borne in mind. First and foremost it should benefit the receiver as well as provider. The factors may differ from one customer to another, depending upon a number of reasons. The following table shows the factors influencing the customer's preference on various E-banking services using weighted average method.

Table 2
Factors influencing customers to prefer E-banking services

S.NO.	Particulars	H.A	A	N	D.A	H.D.A	Total	mean	Rank
	Weight	5	4	3	2	1			
1.	Easy Access	30 (150)	14 (56)	4 (12)	1 (2)	1 (1)	50 (221)	4.42	II
2.	Cost Effectiveness	14 (70)	28 (112)	5 (15)	2 (4)	1 (1)	50 (202)	4.04	IV
3.	Social status	19 (95)	16 (64)	9 (27)	4 (8)	2 (2)	50 (196)	3.92	VI
4.	Time Saving	37 (185)	6 (24)	4 (12)	2 (4)	1 (1)	50 (226)	4.52	I
5.	Higher Security	10 (50)	13 (52)	15 (45)	9 (18)	3 (3)	50 (168)	3.36	VIII
6.	Convenience	25 (125)	16 (64)	5 (15)	2 (4)	1 (1)	50 (209)	4.18	III
7.	Effective Stamp	12 (60)	28 (112)	5 (15)	4 (8)	1 (1)	50 (196)	3.96	V
8.	Curiosity	9 (45)	22 (88)	10 (30)	4 (8)	5 (5)	50 (176)	3.52	VII

Source: Primary data

Table 2 clearly shows that the respondents have given higher weightage to 'Time saving' with a mean score of 4.52, followed by 'Easy accesses and 'Convenience' with a mean score of 4.42 and 4.18 respectively. It is analyzed that for the respondents the time factor is more precious and they do not want to waste time. Moreover, the E-banking services are very easy to operate and convenient by sitting at home or working in the office.

SATISFACTION OF E-BANKING SERVICES

Customers are the king of the market. Unless and until, the customers are not satisfied no service provider or manufacturer can withstand in the marketing scenario. The satisfaction of the customers varies from person to person depending upon emotional, economical and social equilibrium aspects of the respondents. The following table clearly depicts about the level of satisfaction of the sample respondents.

Table 3
Customer Satisfaction

S.NO.	Services	Highly satisfied	Satisfied	Moderate	Disatisfied	Highly dis satisfied	Total	Rank
1	ATM	35 (175)	12 (48)	1 (3)	1 (2)	1 (1)	50 (229)	I
2	Online Banking	14 (70)	18 (72)	11 (33)	4 (8)	3 (3)	50 (186)	II
3	Mobile Banking	10 (50)	13 (52)	15 (45)	6 (12)	6 (6)	50 (165)	IV
4	Tele Banking	5 (25)	15 (60)	12 (36)	8 (16)	10 (10)	50 (147)	V
5	E-payment	12 (60)	19 (76)	12 (36)	5 (10)	2 (2)	50 (184)	III

Source: Primary data

Out of five E-banking services the first rank is given to ATM service with a score value of 229. It is evident the ATM services function for 24 hours in a day and 7 days in a week. It is inferred that as and when time permits the respondents withdraw cash at anytime, anywhere and any place from the bank account. The last rank is given to Tele banking with its mean score of 147 points. It is clear that these services in India are at infant stage and it is popular in developed countries.

USAGE OF E-BANKING SERVICES

The usages of any product or services depend upon need, preference and taste of any person who uses them in their day to day circumstances. The following table clearly shows the extent to which the sample respondents utilize their E-banking services.

Table 4
Usage of E-Banking services

S.No	Purpose	Garrett mean	Rank
1	Payment of bills	56.58	III
2	Balance enquiry	61.00	II
3	Fund transfer	50.14	VI
4	Point of sales	52.78	IV
5	Open an A/C	46.38	VII
6	Savings	44.32	IX
7	Account information	50.98	V
8	Investments	40.46	XI
9	Cash withdrawal	66.82	I
10	Print bank slip/ statement	42.60	X
11	Online booking	44.96	VIII
12	Mobile recharge	34.76	XII

The first rank is given to 'Cash withdrawal' followed by 'Balance enquiry' and 'payment of bills' with its mean score of 66.82, 61.00, and 56.58 respectively. It is observed that the respondents withdraw cash through ATM facility from anywhere and at any time. It is analysed that without going to banks they are able to check balance enquiry and pay the bills like electricity, insurance, re-charging mobile top up etc.

FINDINGS

- ❖ 84 per cent of the respondents who avail E-banking services are aged between 25 to 45 years. It is evident that E-banking services have a great scope in our study area.
- ❖ 60 percent of male respondents are benefited from the E-banking services since they are the employees. It is inferred that sitting at the desktop they can do all banking transactions without going to banks.
- ❖ 82 per cent of the respondents are degree holders who are flexible to changing environment and they easily adopt modern gadgets due to convenience and comfort reasons.
- ❖ 22 per cent of the respondents are professionals who are very conscious about their time management.
- ❖ 94 per cent of the respondents earn monthly income between Rs.15,001 to 45,000 which clearly depicts that middle income groups are benefited from E-banking transactions.
- ❖ The first rank is given to 'Time saving' with its mean score of 4.52, followed by 'Easy accesses' and 'Convenience' with a mean score of 4.42 and 4.18 respectively.
- ❖ The last rank is given to 'Tele banking' with its total score of 147 points. It is clear that these services in India are at infant stage and it is popular only in developed countries.
- ❖ The first rank is given to 'Cash withdrawal' followed by 'Balance enquiry' and 'payment of bills' with its mean score of 66.82, 61.00 and 56.58 respectively.

SUGGESTIONS

- ❖ The service providers can create awareness regarding the availability of electronic banking services and the extent of its usage through advertisement in the form of print or media which might attract many more bank customers.
- ❖ The banks can make their sites more user friendly and attractive. So that India being a young populated nation might benefit from other E-banking services like that of ATM facilities.
- ❖ 'Safety system' for online banking and mobile banking should be made effective which creates a trust in mind of customers towards security of their accounts.
- ❖ During the beginning of the month or in case of any holidays for three consecutive days there will be no money in ATMs. This frustrates the customers. Therefore, there should be a link between the ATMs and the bank offices so that the money available in the ATM will be monitored and sufficient money can be kept in the ATM.
- ❖ The Educational institutions can organize seminar /workshop/symposium related to 'E-banking services' which in turn creates tremendous awareness to the student community who might be pillars of tomorrow.
- ❖ The Government and RBI can insist the tax payers to pay their income tax through e-payment which might increase the number of the customers akin to that of developed countries.

CONCLUSION

In this present era, people are very time conscious due to multi task work and they do not have time to stand in long queues. Keeping in mind, the banking sector too adopted E-banking services which are instant, quick and fast which satisfies the customers in terms of time, energy and cost. Hence E-banking services are a boon to the customers in this competitive world. It is evident from the present study that the customers prefer E-channels due to advancement and utility. Although, there are some drawbacks in E-banking like, ATM out of order, lack of personal service, security concern etc., but still E-banking is preferred as the customer feels that, it is essential to save their time, energy and cost. So, the banks have to upgrade its services constantly and think of new innovative customized packages and services in order to retain its customers and augment the economy of the country.

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