



Electronic Banking: An Emerging Way of Customer Services

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Abstract

The fast developments in the technology sector for last two decades enforce the banking sector to introduce E-Banking operation for the sustainable growth and expansion in the competitive environment. E-banking can improve a bank's efficiency and competitiveness, so that existing and potential customers can benefit from a greater degree of convenience in effecting transactions. The objectives of this study are to view the emergence of E-Banking in the globalized as well as localize banking operation and also determine the customer's perceptions about the online banking operation and the problems there from. To study the impact of E-Banking on the banking performance, a survey is conducted on the customers of a local bank. The analysis of the study states that the online banking is a demand of today's customers, because it saves the cost and time for the settlement of their financial transactions. The major problem observed at end of the study is the lack of knowledge among the people about the use of Internet and computer, which ultimately hamper the growth of E-banking operation.

Keywords: Internet Banking, globalization, ATM, technology, transaction, digital assistant.

Introduction

In the financial sector, last few decades have been under the continuous impact of liberalization and modernization. E-Banking system enables Financial Institutions, Customers, Individuals and Businessmen to access accounts, transact business and obtain information on financial products and services through the public or private network including the Internet. Under the impact of the new technologies, new types of banking services have risen with which the financial markets became more dilute and more efficient. Every segment of society is rapidly adopting the modern information technology¹. Banking system, inline with other segments of society is rapidly adopting this latest information technology in day-to-day work, which has been given the name of E-Banking system. E-Banking is an umbrella term for the process by which a customer may perform banking transactions electronically without visiting an institution. The following terms refer to one or other form of electronic banking such as PC Banking, Internet Banking, Mobile Banking and Television Banking. It may also be called Online Banking. Automatically personalized, cheap, timely, convenient and highly secured are some of the advantages of wireless solutions which are all present in E-banking and differentiate E-Banking from the Traditional banking. E-Banking is defined as the automated delivery of new and traditional banking products and services directly to the customers through electronic, interactive communication channels². E-Banking system enables Financial Institutions, Customers, Individuals and Businessmen to access accounts, transact business and obtain information on financial products and services through the public or private network including

the Internet. Customers access E-banking services using an intelligent electronic device, such as personal computer (PC), Personal Digital Assistant (PDA), Automated Teller Machine (ATM) and Touch Tone Telephone (TTT)³.

E-Banking started with introduction of computers and ATMs in 1970's. The addition of Internet and Mobile Banking has revolutionized Banking services. Banks use E-Banking facilities to offer a wide range of products and services. Financial Institutions that choose not to offer E-Banking service, cause risk to their business and loss of customers that are absorbed by the competitor Banks that embraced the technology in the business. Along with opportunities, e-banking generates extended risks for financial institutions⁴. E-banking increases banks' dependence on information technology, thereby increasing the technical complexity of many operational and security issues. This development has been leading to the creation of new business models involving banks and non-bank entities, such as Internet service providers, telecommunication companies and other technology firms. The Internet is ubiquitous and global by nature. It is an open network accessible from anywhere in the world by unknown parties, with routing of messages through unknown locations and via fast evolving wireless devices⁵.

Review of Literature: Kamath K.V expressed that traditional business model of the bank can be blown to bits and banks will be forced to reinvest themselves as E-Commerce organizations. He attempts to convert old style financial institutions into a consumer bank focused on technology and service which provide a roadmap for other sloppy giants⁶. Nin L. Kabrin argued that the field of bank has made considerable

progress and use of technology has become a powerful force to change the traditional banking. Undoubtedly technology is the single biggest strategic issue in banking that has also created challenges for the regulatory framework of E-Banking⁷. Nsoui Saleh Mand Schaechter Andrea In their study, they showed that electronic banking provide lot many benefits to customers. But there are lot many risks such as regulatory risk, operational risk, reputational risk which are faced by the banks⁸. Kozar y, Sylwester J. this study examined the impact of the progress in information technology on profitability of banking sector in US. The research shows that there is a positive relation between two. But with the introduction of new range of services, cost of bank's processing have increased along with increase in revenue⁹. Bajwa Ks examined that the banking industry world wide has been on the forefront of IT applications and IT implementation has affected almost all areas of banking industry, namely products and services, delivery channels like ATMs, internet, mobile etc. He further found that IT solutions are used for front and back office functions with the implementation of core banking system across banks, the usage level of IT for customer management has increased¹⁰. Uppal R.K. discussed in his study that information technology transforms the working of banks from traditional banking to e-banking. The survey indicates that customers of E-banks are satisfied with different e-banking services but lack of awareness is a major obstacle in spread of e-banking services in India¹¹.

Research Methodology

This study is totally based on primary source of information about the use of E-Banking services of HDFC Bank, Amritsar by the customer. For collecting the information the questionnaire technique is used to gather the information from thirty respondents. The study is analyzed by applying the percentage method. The objective of the study are as follow: i. To examine the socio-economic profile of the bank's customers and their awareness level regarding E-banking products. ii. To study the attitude and perceptions of the customers about E-banking services.

Analysis of The Study of E-Banking of Hdfc Bank Amritsar: HDFC Bank continues to deploy technology as a major strategy for leadership in the banking industry. Innovative approaches have helped in shaping end-to-end solutions that provide customers with secure access to services at multiple locations. i. With respect to the objectives of the study, analysis of responses given by thirty respondents, it is found that people of younger age form a significant portion of the total customer base of HDFC bank. More than 50% respondents are below forty years of age. Further it has been found that 68% respondents are male and only 32% are female which implies that males are more aware of the E-Banking services than females. ii. It is also clear from the study that 75% respondents are married while the rest 25% are unmarried. From educational status point of view it can be

concluded that customers of HDFC bank are well educated as more than 75% respondents are graduates or highly educated. iii. Socio economic profile of bank's customers is young, highly educated and salaried persons with average annual income of 2-4 lakh. It is also clear from the analysis that 72% respondents have their own houses while only 28% live in rented accommodation. It implies that most of the customers belong to upper strata of society. The study also states that 49% respondents have their own personal computers and 33% out of these also have an internet connection. iv. As per the analysis only 25% customers are willing to avail E-Banking services at a cost while 75% customers use only free E-Banking service of the bank. v. As far as awareness level of phone banking services among bank's customers is concerned, it can be said that awareness level of P-Banking services is quiet high. Every service of P-Banking has more than 65% aware customers, but the usage level of P-Banking services is quiet low. vi. Only 39% respondents use access account balance through IVR service. 23% and 26% respondents respectively track the status of their cheque and make a request for cheque book and demand draft. vii. 79% and 13% respectively get information and create a fixed deposit through P-Banking. Only 20% and 10% respondents respectively get details of product offerings and request for blocking of debit card through P-Banking. viii. The study further states that awareness level of Internet banking service is more than 70% but usage level is low as in the case of P-Banking. 26% and 24% respondents respectively use I-Banking for getting account details, bill payment and online transfer of funds respectively. 16% and 14% respondents respectively make online requests and stop cheque payment service through I-Banking. Again 20% and 13% respondents make online requests for checkbook and create fixed deposit accounts. At the end analysis of the study come out with the conclusion that there are still 8% respondents, who are using the traditional banking because they do not have the knowledge of computer and internet.

Finding of the Study: i. From the analysis, it is found that awareness level of both pull based and push based facilities of mobile banking is very high and more than 85% respondents have knowledge about these services. Due to easy accessibility of mobile phones, usage level of M-Banking services is quiet satisfactory. 66% of the total respondents get SMS alert of end of the day account balance and debit/credit above Rs.5000/- while 56% respondents get SMS alert on insufficient funds to honour a cheque. ii. The study shows that 40% and 29% of the total respondents get SMS alert of last five transactions and cheque status .25% and 49% respondents respectively make request for stopping payment of cheque and account balance through SMS. iii. ATM service is the most popular and easily accessible service of HDFC Bank which 100% customers use for their banking transactions. iv. It is clear from the analysis that convenience is the major reason that encourages customers to use E-Banking service. Customers are also benefited from its features like anywhere anytime banking and

the flexible nature of E-Banking services. v. Majority of customers i.e. 27% do not use the charged E-banking services due to their cost and complications while 8% respondents don't use it due to computer illiteracy. 16% respondents still consider branch banking as a better channel than E-Banking and 11% respondents do not use these services due to lack of time. vi. It can be concluded that 55% respondents think that biggest advantage of E-Banking is the saving of time, money and energy. 24% and 18% respondents find it quick, anywhere and anytime banking. Only 3% respondents are of the view that E-Banking services generate accurate response. vii. So far as satisfaction regarding security and privacy level of E-Banking services is concerned, it is found that 97% respondents are satisfied while only 3% respondents have some problem concerning security and privacy level of E-Banking services. viii. 94% respondents are satisfied with their experience of using E-Banking services and only 6% are dissatisfied.

Conclusion

The financial institutions have deployed the E-banking but there is need of paradigm shift in terms of perception by the public. The mindset of people in India is urging of changing. It seems like yesterday when M-Banking and P-banking were not being accepted, but then they became the killer applications of E-Commerce 12. In this way E-banking would overcome the traditional business model of retail banking and dramatically reduce the processing and traditional cost, Electronic banking is the modern technology which is offered by the banks to their customers so that they can conveniently conduct their banking transactions at a time that suits them and can access their bank account for 24 hours a day and 7 days a week. Latest and better ways of customer services are essential for the growth of a bank and for the banking system as a whole. The effect of e-banking on world wide banking system is to augment or facilitate existing banking and payment mechanisms, primarily by making many transactions cheaper, faster, more secure, and more convenient.

In the present study, HDFC bank has been selected especially to study the perception of customers towards E-Banking services. To achieve the objectives "Questionnaire" technique has been used and 30 respondents have been randomly selected for collecting relevant data. At the end it is clear from the analysis of the study that due to the updated online technology used by HDFC Bank to execute its services for the convenience of the customers, 97% respondents are satisfied while only 3% respondents have some problem concerning security and privacy level of E-Banking services. 94% respondents are satisfied with their experience of using E-Banking services and only 6% are dissatisfied, but 96% respondents still thinking of E-Banking as better option than traditional banking.

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Annexure

E-Banking Growth and Perspective :
A Study on HDFC Bank, Amritsar
QUESTIONNAIRE

- 1) Name:
- 2) Age:
- 3) Sex: Male/Female
- 4) Educational Status
- 5) Marital status: Married/Unmarried/Divorced/Separated
- 6) Occupation:
- 7) Annual income
- 8) House: Own/Rent
- 9) Do you own PC: Yes/No
- 10) Do you own Internet Connection: Yes/No
- 11) Which kind of account do you hold with HDFC Bank?
Savings/Current/Fixed Deposit/Loan/Demat/Credit Card
- 12) Which of the following e-banking services provided by your bank, are you aware of and which services you are using?
 - A) **Phone Banking Services** **Aware Used**
 - Access account balance details in 35 seconds through IVR
 - Track the status of your cheque
 - Request for a cheque book, DD, stop cheque payment, etc.
 - Get transaction information for trade services. Create fixed deposit
 - Get details of product offerings
 - Request for blocking of debit cards
 - B) **Internet Banking Services**
 - Account details easily available at your terminal
 - Account balance in real time
 - Download statements anytime as Excel/Text file based on your selection criteria
 - Online funds transfer b/w different bill payment and card to card transfer
 - Online Requests
 - Stop Cheque Payment
 - Request for a cheque book
 - Opening for a fixed deposit account
 - C) **Mobile Banking Services**
 - 1) Push Based features Providing SMS alerts on
 - End of day account balance
 - Debit/credit above 500/-
 - Insufficient funds to honour a cheque
- 2) Pull based features with SMS alerts on :
 - Last 5 transactions
 - Cheque status
 - Stop cheque
 - Account balance
- 13) Have you opted for e banking facilities which are charged by the bank? Yes/No
- 14) If Yes, give the possible reasons:
 - a) Convenient ()
 - b) Cheaper ()
 - c) Flexible ()
 - d) Anywhere any time banking ()
 - e) Any other reason ()
- 15) If No, give the possible reasons:
 - a) Expensive ()
 - b) Difficult ()
 - c) No knowledge of computer ()
 - d) Other better channels are available like branch banking ()
 - e) Any other reason ()
- 16) How you are benefited from e-banking facilities:-
 - a) Saving of time/money/energy ()
 - b) Quick response ()
 - c) Accurate response ()
 - d) From anywhere to anywhere banking ()
 - e) Any other reason ()
- 17) Do you think e banking is a better way then traditional banking: Yes/No
- 18) Are you satisfied with security and privacy level in using e-banking services? Yes/No
- 19) Are you satisfied with your experience of using e-banking services? Yes/No
- 20) The problems faced by you in using e-banking services:
- 21) Any suggestion for improvement: